

HUANENG POWER INTERNATIONAL INC
Form 6-K
November 20, 2014

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the month of November 2014

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F X Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No X

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-_____.)
N/A

Huaneng Power International, Inc.
Huaneng Building,
6 Fuxingmennei Street,
Xicheng District,
Beijing, 100031 PRC

This Form 6-K consists of:

An announcement regarding discloseable and connected transactions of Huaneng Power International, Inc. (the “Registrant”), made by the Registrant on November 13, 2014.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should obtain independent professional advice.

If you have sold or transferred all your shares in Huaneng Power International, Inc., you should at once hand this circular and, where applicable, the form of proxy and reply slip to the purchaser or transferee or to the bank, or a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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(Stock Code: 902)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

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

Guotai Junan Capital Limited

A letter from the board of Directors of Huaneng Power International, Inc. is set out on pages 6 to 58 of this circular. A letter from the Independent Board Committee of Huaneng Power International, Inc. is set out on pages 59 of this circular. A letter from Guotai Junan containing its advice to the Independent Board Committee and the Independent Shareholders of Huaneng Power International, Inc. is set out on pages 60 to 87 of this circular.

The Company shall convene the EGM at 2 p.m. on 28 November 2014 at the headquarters of the Company at Conference Room A102, Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, the PRC. The notice of EGM together with the reply slip and form of proxy had been issued to Shareholders separately.

If you intend to attend the EGM, you should complete and return the reply slip in accordance with the instructions printed thereon as soon as possible. Whether or not you are able to attend, you should complete and return the form of proxy in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not later than 24 hours before the time appointed for holding such meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

13 November 2014

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DEFINITIONS

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

“A Shares”:	domestic tradable shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange;
“ADSs”:	American Depositary Shares, each representing the ownership of 40 H Shares, which are listed on the New York Stock Exchange Inc.;
“Anyuan Power”:	Huaneng Anyuan Power Generation Co., Ltd.;
“Anyuan Power Interests”:	the 100% equity interests held by HIPDC in the registered capital of Anyuan Power;
“associate(s)”:	has the meaning ascribed to it in the Hong Kong Listing Rules;
“AVISTA”:	AVISTA Valuation Advisory Limited;
“Base Date”:	31 May 2014;
“Board”:	the board of Directors of the Company;
“Changjiang Energy”:	Jiangsu Changjiang Energy Conservation Industry Development Co., Ltd.;
“Chaohu Power”:	Huaneng Chaohu Power Generation Co., Ltd.;
“Chaohu Power Interests”:	the 60% equity interests held by HIPDC in the registered capital of Chaohu Power;
“Chaohu Power Interests Transfer Agreement”:	the Agreement on the Transfer of 60% Equity Interests in Huaneng Chaohu Power Generation Co., Ltd. in respect of the transfer of Chaohu Power Interests signed by and between the Company and HIPDC on 13 October 2014;
“China Wallink”:	China Wallink Holding Group Co., Ltd.;
“CICC”, “Financial Adviser”:	China International Capital Corporation Hong Kong Securities Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activity (as defined in the SFO);

DEFINITIONS

“Company”, “HPI”:	Huaneng Power International, Inc., a Sino-foreign joint stock limited company incorporated in the PRC and the H Shares, ADSs and A Shares of which are listed on the Hong Kong Stock Exchange, the New York Stock Exchange Inc. and the Shanghai Stock Exchange, respectively, and its subsidiaries (as the case may be);
“Completion”:	the completion of the Transfers;
“connected person(s)”:	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Dalongtan Hydropower”:	Enshi Qingjiang Dalongtan Hydropower Development Co., Ltd.;
“Dalongtan Hydropower Interests”:	the 97% equity interests held by Huaneng Group in the registered capital of Dalongtan Hydropower;
“Director(s)”:	the director(s) (including independent non-executive directors) of the Company;
“Dongfang Plant”:	Dongfang Power Plant of Huaneng Hainan Power Inc.;
“EGM” or “Extraordinary General Meeting”:	the 2014 third extraordinary general meeting of the Company to be held at 2 p.m. on 28 November 2014 at the headquarters of the Company at Conference Room A102, Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, the PRC to consider and, if thought fit, approve the Transfer Agreements and the transactions contemplated thereunder;
“Gezhen Hydropower”:	Gezhen Hydropower Plant of Huaneng Hainan Power Inc.;
“Guotai Junan”, “Independent Financial Adviser”:	Guotai Junan Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the discloseable and connected transactions under the Transfer Agreements;
“H Shares”:	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Haikou Plant”:	Haikou Power Plant of Huaneng Hainan Power Inc.;
“Hainan Power”:	Huaneng Hainan Power Inc.;

DEFINITIONS

“Hainan Power Interests”:	the 91.8% equity interests held by Huaneng Group in the registered capital of Hainan Power;
“HIPDC”:	Huaneng International Power Development Corporation;
“HIPDC Interests”:	the Ruijin Power Interests, the Anyuan Power Interests, the Jingmen Thermal Power Interests and the Yingcheng Thermal Power Interests owned by HIPDC;
“HIPDC Interests Transfer Agreement”:	the Agreement on the Transfer of Equity Interests of Certain Companies in respect of the transfer of the HIPDC Interests signed by and between the Company and HIPDC on 13 October 2014;
“Hong Kong”:	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”:	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Huainan Mining”:	Huainan Mining (Group) Co., Ltd.;
“Hualiangting Hydropower”:	Huaneng Hualiangting Hydropower Co., Ltd.;
“Hualiangting Hydropower Interests”:	the 100% equity interests held by Huaneng Group in the registered capital of Hualiangting Hydropower;
“Huaneng Group”:	China Huaneng Group;
“Huaneng Group Interests”:	the Hainan Power Interests, the Wuhan Power Interests, the Suzhou Thermal Interests, the Dalongtan Hydropower Interests and the Hualiangting Hydropower Interests owned by Huaneng Group;
“Huaneng Group Interests Transfer Agreement”:	the Agreement on the Transfer of Equity Interests of Certain Companies in respect of the transfer of the Huaneng Group Interests signed by and between the Company and Huaneng Group on 13 October 2014;
“Huaneng HK”:	China Hua Neng Group Hong Kong Limited;
“Independent Board Committee”:	a committee of the Board established for the purpose of considering the Transfers and the terms of the Transfer Agreements, comprising Mr. Li Zhensheng, Mr. Qi Yudong, Mr. Zhang Shouwen, Mr. Yue Heng and Ms. Zhang Lizi, the independent non-executive Directors of the Company;

DEFINITIONS

“Independent Shareholders”:	Shareholders other than Huaneng Group and HIPDC and their respective associates, and who are not involved in, or interested in the Transfers;
“Jingmen Thermal Power”:	Huaneng Jingmen Thermal Power Co., Ltd.;
“Jingmen Thermal Power Interests”:	the 100% equity interests held by HIPDC in the registered capital of Jingmen Thermal Power;
“Latest Practicable Date”:	10 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Nanshan Plant”:	Nanshan Power Plant of Huaneng Hainan Power Inc.;
“Power Servicing Branch”:	Power Servicing Branch of Huaneng Hainan Power Inc.;
“PRC”, “China”:	the People’s Republic of China;
“RMB”:	Renminbi, the lawful currency of the PRC;
“Ruijin Power”:	Huaneng Ruijin Power Generation Co., Ltd.;
“Ruijin Power Interests”:	the 100% equity interests held by HIPDC in the registered capital of Ruijin Power;
“SASAC”:	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“SERC”:	the State Electricity Regulatory Commission;
“SFO”:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”:	the shareholders of the Company;
“Stock Exchange”:	The Stock Exchange of Hong Kong Limited;
“subsidiaries”:	has the meaning ascribed to it in the Hong Kong Listing Rules;
“Suzhou Hi-Tech”:	Suzhou New District New & Hi-Tech Industrial Co., Ltd.;
“Suzhou Thermal Power”:	Huaneng Suzhou Thermal Power Co., Ltd.;
“Suzhou Thermal Power Interests”:	the 53.45% equity interests held by Huaneng Group in the registered capital of Suzhou Thermal Power;

DEFINITIONS

“Target Company(ies)”:	Hainan Power, Wuhan Power, Suzhou Thermal Power, Dalongtan Hydropower, Hualiangting Hydropower, Chaohu Power, Ruijin Power, Anyuan Power, Jingmen Thermal Power and Yingcheng Thermal Power, individually or collectively (as the case may be);
“Target Interest(s)”:	the Hainan Power Interest, the Wuhan Power Interest, the Suzhou Thermal Power Interest, the Dalongtan Hydropower Interest, the Hualiangting Hydropower Interest, the Chaohu Power Interest, the Ruijin Power Interest, the Anyuan Power Interest, the Jingmen Thermal Power Interest and the Yingcheng Thermal Power Interest, individually or collectively (as the case may be)
“Transfer Agreement(s)”:	the Huaneng Group Interests Transfer Agreement, the HIPDC Interests Transfer Agreement and the Chaohu Power Interests Transfer Agreement, individually or collectively (as the case maybe);
“Transfer(s)”:	the proposed acquisition by the Company of (1) the Hainan Power Interest owned by Huaneng Group; (2) the Wuhan Power Interest owned by Huaneng Group; (3) the Suzhou Thermal Power Interest owned by Huaneng Group; (4) the Dalongtan Hydropower Interest owned by Huaneng Group; (5) the Hualiangting Hydropower Interest owned by Huaneng Group; (6) the Chaohu Power Interest owned by HIPDC; (7) the Ruijin Power Interest owned by HIPDC; (8) the Anyuan Power Interest owned by HIPDC; (9) the Jingmen Thermal Power Interest owned by HIPDC; and (10) the Yingcheng Thermal Power Interest owned by HIPDC, individually or collectively (as the case may be);
“Wenchang Plant”:	Wenchang Wind Power Plant of Huaneng Hainan Power Inc.;
“Wuhan Power”:	Huaneng Wuhan Power Generation Co., Ltd.;
“Wuhan Power Interests”:	the 75% equity interests held by Huaneng Group in the registered capital of Wuhan Power;
“Wuhan Xinneng”:	Wuhan Xinneng Industrial Development Co., Ltd.;
“Yingcheng Thermal Power”:	Huaneng Yingcheng Thermal Power Co., Ltd.; and
“Yingcheng Thermal Power Interests”:	the 100% equity interests held by HIPDC in the registered capital of Yingcheng Thermal Power.

LETTER FROM THE BOARD

(Stock Code: 902)

Directors:

Cao Peixi

Guo Junming

Liu Guoyue

Li Shiqi

Huang Jian

Fan Xiaxia

Mi Dabin

Guo Hongbo

Xu Zujian

Li Song

Legal Address:

Huaneng Building

6 Fuxingmennei Street

Xicheng District

Beijing 100031

PRC

Independent Non-executive Directors:

Li Zhensheng

Qi Yudong

Zhang Shouwen

Yue Heng

Zhang Lizi:

13 November 2014

To the Shareholders

Dear Sir or Madam,

DISCLOSABLE AND CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the announcement of the Company published on 14 October 2014 (the “Announcement”) regarding the discloseable and connected transactions of the Company. As stated in the Announcement, the Company shall issue a circular to Shareholders containing further information of the discloseable and connected transactions contemplated under the Transfer Agreements and to convene the Extraordinary General Meeting to seek approval from Independent Shareholders to the Transfers.

Letter from the Independent Board Committee to the Independent Shareholders has been included in this circular. Guotai Junan has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transfer

LETTER FROM THE BOARD

Agreements and whether such Transfers (and the Transfer Agreements) are in the interests of the Company and its Shareholders as a whole. The letter of advice from Guotai Junan to the Independent Board Committee and the Independent Shareholders is also included in this circular.

The purposes of this circular are:

- (i) to provide you with further information in relation to the Transfers and the Transfer Agreements;
to set out the letter from Guotai Junan to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee as advised by Guotai Junan;
- (ii) and
to seek your approval of the ordinary resolution in relation to the transactions contemplated under the
- (iii) Transfer Agreements, which has been set out in the notice of the Extraordinary General Meeting.

B. BACKGROUND

On 13 October 2014, the Company entered into the Huaneng Group Interests Transfer Agreement with Huaneng Group, and the HIPDC Interests Transfer Agreement and the Chaohu Power Interests Transfer Agreement with HIPDC. Pursuant to such Transfer Agreements, the Company proposes to acquire from Huaneng Group the Hainan Power Interests, the Wuhan Power Interests, the Suzhou Thermal Power Interests, the Dalongtan Hydropower Interests and the Hualiangting Hydropower Interests at a total price of RMB7,337,647,400, and also to acquire from HIPDC the Chaohu Power Interests, the Ruijin Power Interests, the Anyuan Power Interests, the Jingmen Thermal Power Interests and the Yingcheng Thermal Power Interests at a total price of RMB1,938,178,900. The Company will pay all such consideration in cash with its own funds.

C. RELATIONSHIP BETWEEN THE COMPANY, HUANENG GROUP AND HIPDC

The Company and its subsidiaries mainly develop, construct, operate and manage large-scale power plants in China. It is one of the largest listed power producers in China. As of 30 September 2014, it has a controlled generation capacity of 66,888 MW.

Huaneng Group is principally engaged in the operation and management of industrial investments; the development, investment, construction, operation and management of power sources; the organization of the generation and sale of (thermal) power; and the development, investment, construction, production and sale of products in relation to energy, transportation, new energy and environmental protection industries.

HIPDC is a Sino-foreign equity joint venture approved by the State Council to develop, construct and operate power plants across the nation.

As of 30 September 2014, Huaneng Group holds a 51.98% direct interest and a 5% indirect interest in HIPDC, while HIPDC, being the direct controlling shareholder of the Company, holds 36.05% interests in the Company. Huaneng Group also holds a 11.06% direct interest in the Company and holds a 3.36%

LETTER FROM THE BOARD

indirect interest in the Company through Huaneng HK (a wholly-owned subsidiary of Huaneng Group), a 0.04% indirect interest in the Company through Huaneng Capital Services (a wholly-owned subsidiary of Huaneng Group) and a 0.79% indirect interest in the Company through China Huaneng Finance Corporation Limited (a controlling subsidiary of Huaneng Group).

As of 30 September 2014, the relationship between the Company, Huaneng Group and HIPDC as well as the shareholding structures of the Target Companies are illustrated as follows:

* Huaneng Group, through Huaneng HK, indirectly holds 100% of Pro-Power Investment Limited while Pro-Power Investment Limited holds a 5% interest in HIPDC. Therefore, Huaneng Group holds a 5% indirect interest in HIPDC.

** Huaneng Group holds an 11.06% direct interest in the Company. It also holds 3.36%, 0.04% and 0.79% indirect interests in the Company through Huaneng HK, Huaneng Capital Services Co. Ltd. and China Huaneng Finance Corporation Limited, respectively.

Therefore, under the Hong Kong Listing Rules, Huaneng Group, HIPDC and their respective associates are connected persons of the Company and the Transfers to be conducted by the Company with Huaneng Group and HIPDC constitute discloseable and connected transactions of the Company.

D. TRANSFER AGREEMENTS

Huaneng Group Interests Transfer Agreement

The Huaneng Group Interests Transfer Agreement was approved by the Board of the Company on 13 October 2014. On even date, such agreement was entered into between the Company and Huaneng Group.

Major terms of the Huaneng Group Interests Transfer Agreement:

Date: 13 October 2014

Parties: Seller: Huaneng Group

Buyer: The Company

Interests to be acquired: Huaneng Group Interests

LETTER FROM THE BOARD

- Consideration:** Consideration for acquiring the Huaneng Group Interests is RMB7,337,647,400 which is agreed by both parties based primarily on the following factors, having regard to the results of the asset appraisal reports and after arm's length negotiation: (i) the undistributed profits of the Target Companies as of the appraisal base date (i.e. 31 May 2014) and the corresponding portions of the Target Interests to which the Company shall be entitled, whether or not the same was declared before or after the Completion; (ii) the profit and loss of the relevant Target Companies arising from 1 June 2014 to the date of Completion and the corresponding portions of the Target Interests to which Huaneng Group shall be entitled and assumed; and (iii) other factors which are more particularly set out in paragraph I – "Other Factors relating to Pricing of the Transfers" of this circular
- Mode of Payment:** The Company will pay the consideration by way of cash to Huaneng Group with its own funds
- Terms of Payment:** Unless otherwise agreed between the parties, the Company shall pay the consideration in three stages according to the ratios of 50%, 20% and 30%, of which the first payment shall be payable within 5 working days after Completion, the second payment shall be payable within 3 months from Completion and the third payment shall be payable within 6 months from Completion
- Completion:** Subject to satisfaction or waiver of all the conditions precedent set out in the Huaneng Group Interests Transfer Agreement, and unless otherwise specified by the parties, Huaneng Group and the Company shall complete the transfer of the Huaneng Group Interests on 1 January 2015
- T i m i n g f o r transfer:** The Company and Huaneng Group shall register the transfer of the Target Interests at the industrial and commercial administration bureau as soon as possible after the Completion and shall file the duly amended articles of association indicating the relevant equity interests of the Company in the Target Companies with the industrial and commercial administration bureau

LETTER FROM THE BOARD

Conditions precedent: (i) Conditions to the transfer of the Huaneng Group Interests for fulfillment by both the parties

Both parties bear their respective obligations to procure the transfer of the Huaneng Group Interests and shall make their best efforts to satisfy the following conditions (where any or all of which may be wholly or partly waived by Huaneng Group and the Company, as the case may be, to the extent permitted by law). Neither party shall have any obligation to complete the transfer of the Huaneng Group Interests unless and until all the following conditions are satisfied or waived:

(a) the Huaneng Group Interests Transfer Agreement and the Transfers have been approved by the internal decision-making bodies of both parties in accordance with necessary procedures pursuant to their respective articles of association and applicable laws and regulations;

(b) no government agency of competent jurisdiction has published or promulgated any law, rule or regulation that prohibits the completion of the Transfers; and no court of competent jurisdiction has released any order or injunction that prevents the completion of the Transfers;

(c) all necessary approvals, consents, filings and certificates required from governments or their designated authorities as well as all material third-party consents required for the Huaneng Group Interests Transfer Agreement and the Transfers have been obtained, except for legal proceedings that can only be attended to after the Completion in accordance with applicable laws and regulations and the documents derived therefrom.

LETTER FROM THE BOARD

- (ii) Conditions to the transfer of the Huaneng Group Interests for fulfillment by Huaneng Group

The obligations of Huaneng Group to complete the transfer of the Huaneng Group Interests are conditional upon the satisfaction of each of the following conditions on or before the Completion date, which conditions may be wholly or partly waived by Huaneng Group to the extent permitted by law:

- (a) the representations and warranties made by the Company in the Huaneng Group Interests Transfer Agreement are true and accurate in all material respects and there are no material omissions as at the Completion date; and
- (b) the Company has performed and observed the terms under the Huaneng Group Interests Transfer Agreement to be performed and observed on its part in all material respects.

- (iii) Conditions to the transfer of the Huaneng Group Interests for fulfillment by the Company

The obligations of Company to complete the transfer of the Huaneng Group Interests are conditional upon the satisfaction of each of the following conditions on or before the Completion date, which conditions may be wholly or partly waived by the Company to the extent permitted by law:

- (a) the representations and warranties made by Huaneng Group in the Huaneng Group Interests Transfer Agreement are true and accurate in all material respects and there are no material omissions as at the Completion date; and
- (b) Huaneng Group has performed and observed the terms under the Huaneng Group Interests Transfer Agreement to be performed and observed on its part in all material respects.

LETTER FROM THE BOARD

Effectiveness: The Huaneng Group Interests Transfer Agreement shall be binding on the parties upon signing on 13 October 2014 and the completion of which shall be subject to the conditions precedent set out therein (including the obtaining of the approval from Independent Shareholders at the EGM) being satisfied.

In accordance with PRC Company Law and the relevant articles of association, if a shareholder of a limited liability company intends to transfer its equity interests to a party who is not an existing shareholder, it shall inform the other shareholder(s) of the proposed equity transfer in writing and seek their consent to the transfer. The Huaneng Group Interests Transfer Agreement provides that, among other things, the obtaining of material third party consents required for relevant Transfers a condition to completion. As at the Latest Practicable Date, consents to the equity transfer of the relevant Target Companies from minority shareholder(s) of each of Wuhan Power, Suzhou Thermal Power and Dalongtan Hydropower have been obtained.

Indemnity: Each party shall promptly indemnify and hold the other party harmless from and against any and all losses and expenses arising out of or in connection with its breach of any provisions (including any of its representations, warranties, commitments and undertakings) of the Huaneng Group Interests Transfer Agreement.

Other: According to the Huaneng Group Interests Transfer Agreement, Huaneng Group covenanted with the Company that there should not be any material impediment in obtaining the relevant land and property ownership certificates. If any of the relevant Target Companies is required to pay any penalty arising from the fact that it has not yet obtained the relevant title certificate(s), Huaneng Group shall compensate the Company for any loss and expenses it may suffer as a result.

HIPDC Interests Transfer Agreement

The HIPDC Interests Transfer Agreement was approved by the Board of the Company on 13 October 2014. On even date, such agreement was entered into between the Company and HIPDC.

Major terms of the HIPDC Interests Transfer Agreement:

Date: 13 October 2014

Parties: Seller: HIPDC

Buyer: The Company

LETTER FROM THE BOARD

Interests to be acquired: HIPDC Interests

Consideration: Consideration for acquiring the HIPDC Interests is RMB940,245,200 which is agreed by both parties based primarily on the following factors, having regard to the results of the asset appraisal reports and after arm's length negotiation : (i) the undistributed profits of the Target Companies as of the appraisal base date (i.e. 31 May 2014) and the corresponding portions of the Target Interests to which the Company shall be entitled, whether or not the same was declared before or after the Completion; (ii) the profit and loss of the relevant Target Companies arising from 1 June 2014 to the date of Completion and the corresponding portions of the Target Interests to which HIPDC shall be entitled and assumed; and (iii) other factors which are more particularly set out in paragraph I – “Other Factors relating to Pricing of the Transfers” of this circular

Mode of Payment: The Company will pay the consideration by way of cash to HIPDC with its own funds

Terms of Payment: Unless otherwise agreed between the parties, the Company shall pay the consideration in three stages according to the ratios of 50%, 20% and 30%, of which the first payment shall be payable within 5 working days after Completion, the second payment shall be payable within 3 months from Completion and the third payment shall be payable within 6 months from Completion

Completion: Subject to satisfaction or waiver of all the conditions precedent set out in the HIPDC Interests Transfer Agreement and unless otherwise specified by the parties, HIPDC and the Company shall complete the transfer of HIPDC Interests on 1 January 2015

Timing for transfer: The Company and HIPDC shall register the transfer of the Target Interests at the industrial and commercial administration bureau as soon as possible after the Completion and shall file the duly amended articles of association indicating the relevant equity interests of the Company in the Target Companies with the industrial and commercial administration bureau

Conditions precedent: (i) Conditions to the transfer of the HIPDC Interests for fulfillment by both parties

LETTER FROM THE BOARD

Both parties bear their respective obligations to procure the transfer of the HIPDC Interests and shall make their best efforts to satisfy the following conditions (where any or all of which may be wholly or partly waived by HIPDC and the Company, as the case may be, to the extent permitted by law). Neither party shall have any obligation to complete the transfer of the HIPDC Interests unless and until all the following conditions are satisfied or waived:

- (a) the HIPDC Interests Transfer Agreement and the Transfers have been approved by the internal decision-making bodies of both parties in accordance with necessary procedures pursuant to their respective articles of association and applicable laws and regulations;
- (b) no government agency of competent jurisdiction has published or promulgated any law, rule or regulation that prohibits the completion of the Transfers; and no court of competent jurisdiction has released any order or injunction that prevents the completion of the Transfers;
- (c) all necessary approvals, consents, filings and certificates required from governments or their designated authorities as well as all material third-party consents required for the HIPDC Interests Transfer Agreement and the Transfers have been obtained, except for legal proceedings that can only be attended to after the Completion in accordance with applicable laws and regulations and the documents derived therefrom.

LETTER FROM THE BOARD

(ii) Conditions to the transfer of HIPDC Interests for fulfillment by HIPDC

The obligations of HIPDC to complete the transfer are conditional upon the satisfaction of each of the following conditions on or before the Completion date, which conditions may be wholly or partly waived by HIPDC to the extent permitted by law:

- (a) the representations and warranties made by the Company in the HIPDC Interests Transfer Agreement are true and accurate in all material respects and there are no material omissions as at the Completion date; and
- (b) the Company has performed and observed the terms under the HIPDC Interests Transfer Agreement to be performed and observed on its part in all material respects.

(iii) Conditions to the transfer of HIPDC Interests for fulfillment by the Company

The obligations of Company to complete the transfer are conditional upon the satisfaction of each of the following conditions on or before the Completion date, which conditions may be wholly or partly waived by the Company to the extent permitted by law:

- (a) the representations and warranties made by HIPDC in the HIPDC Interests Transfer Agreement are true and accurate in all material respects and there are no material omissions as at the Completion date; and
- (b) HIPDC has performed and observed the terms under the HIPDC Interests Transfer Agreement to be performed and observed on its part in all material respects.

Effectiveness: The HIPDC Interests Transfer Agreement shall be binding on the parties upon signing on 13 October 2014 and the completion of which shall be subject to the conditions precedent set out therein (including the obtaining of the approval from Independent Shareholders at the EGM) being satisfied.

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- Indemnity: Each party shall promptly indemnify and hold the other party harmless from and against any and all losses and expenses arising out of or in connection with its breach of any provisions (including any of its representations, warranties, commitments and undertakings) of the HIPDC Interests Transfer Agreement.
- Other: According to the HIPDC Interests Transfer Agreement, HIPDC covenanted with the Company that there should not be any material impediment in obtaining the relevant land and property ownership certificates. If any of the relevant Target Companies is required to pay any penalty arising from the fact that it has not yet obtained the relevant title certificate(s), HIPDC shall compensate the Company for any loss and expenses it may suffer as a result.

Chaohu Power Interests Transfer Agreement

The Chaohu Power Interests Transfer Agreement was approved by the Board of the Company on 13 October 2014. On even date, such agreement was entered into between the Company and HIPDC.

Major terms of the Chaohu Power Interests Transfer Agreement:

Date: 13 October 2014

Parties: Seller: HIPDC

Buyer: The Company

Interests to be acquired: Chaohu Power Interests

Consideration: Consideration for acquiring the Chaohu Power Interests is RMB997,933,700 which is agreed by both parties based primarily on the following factors, having regard to the results of the asset appraisal reports and after arm's length negotiation : (i) the undistributed profits of Chaohu Power as of the appraisal base date (i.e. 31 May 2014) and the corresponding portion of the Target Interest to which the Company shall be entitled, whether or not the same was declared before or after the Completion; (ii) the profit and loss of Chaohu Power arising from 1 June 2014 to the date of Completion and the corresponding portion of the Target Interest to which the Company shall be entitled and assumed; and (iii) other factors which are more particularly set out in paragraph I – “Other Factors relating to Pricing of the Transfers” of this circular

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M o d e o f Payment: The Company will pay the consideration by way of cash to HIPDC with its own funds

T e r m s o f Payment: Unless otherwise agreed between the parties, the Company shall pay the consideration in three stages according the ratios of 50%, 20% and 30%, of which the first payment shall be payable within 5 working days after Completion, the second payment shall be payable within 3 months from Completion and the third payment shall be payable within 6 months from Completion

Completion: Subject to satisfaction or waiver of all the conditions precedent set out in the Chaohu Power Interests Transfer Agreement, unless otherwise specified by the parties, HIPDC and the Company shall complete the transfer of Chaohu Power Interests on 1 January 2015

T i m i n g f o r transfer: The Company and HIPDC shall register the transfer of the Chaohu Power Interests at the industrial and commercial administration bureau as soon as possible after the Completion and shall file the duly amended articles of association indicating the relevant equity interests of the Company in the Target Company with the industrial and commercial administration bureau

C o n d i t i o n s (i) precedent: Conditions to the transfer of the Chaohu Power Interests for fulfillment by both parties

Both parties bear their respective obligations to procure the transfer of the Chaohu Power Interests and shall make their best efforts to satisfy the following conditions (any or all of which may be wholly or partly waived by HIPDC and the Company, as the case may be, to the extent permitted by law). Neither party shall have any obligation to complete the transfer of the Chaohu Power Interests unless and until all the following conditions are satisfied or waived:

(a) the Chaohu Power Interests Transfer Agreement and the Transfer have been approved by the internal decision-making bodies of both parties in accordance with necessary procedures pursuant to their respective articles of association and applicable laws and regulations;

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- (b) no government agency of competent jurisdiction has published or promulgated any law, rule or regulation that prohibits the completion of the Transfer; and no court of competent jurisdiction has released any order or injunction that prevents the completion of transfer of the Chaohu Power Interests;
 - (c) all necessary approvals, consents, filings and certificates required from governments or their designated authorities as well as all material third-party consents required for the Chaohu Power Interests Transfer Agreement and the Transfer have been obtained, except for legal proceedings that can only be attended to after the Completion in accordance with applicable laws and regulations and the documents derived therefrom.
- (ii) Conditions to the transfer of the Chaohu Power Interests for fulfillment by HIPDC

The obligations of HIPDC to complete the transfer are conditional upon the satisfaction of each of the following conditions on or before the Completion date, which conditions may be wholly or partly waived by HIPDC to the extent permitted by law:

- (a) the representations and warranties made by the Company in the Chaohu Power Interests Transfer Agreement are true and accurate in all material respects and there are no material omissions as at the Completion date; and
- (b) the Company has performed and observed the terms under the Chaohu Power Interests Transfer Agreement to be performed and observed on its part in all material respects.

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- (iii) Conditions to the transfer of the Chaohu Power Interests for fulfillment by the Company

The obligations of Company to complete the transfer of the Chaohu Power Interests are conditional upon the satisfaction of each of the following conditions on or before the Completion date, which conditions may be wholly or partly waived by the Company to the extent permitted by law:

- (a) the representations and warranties made by HIPDC in the Chaohu Power Interests Transfer Agreement are true and accurate in all material respects and there are no material omissions as at the Completion date; and
- (b) HIPDC has performed and observed the terms under the Chaohu Power Interests Transfer Agreement to be performed and observed on its part in all material respects.

Effectiveness: The Chaohu Power Interests Transfer Agreement shall be binding on the parties upon signing on 13 October 2014 and the completion of which shall be subject to the conditions precedent set out therein (including the obtaining of the approval from Independent Shareholders at the EGM) being satisfied.

In accordance with PRC Company Law and the relevant articles of association, if a shareholder of a limited liability company intends to transfer its equity interests to a party who is not an existing shareholder, it shall inform the other shareholder(s) of the proposed equity transfer in writing and seek their consent to the transfer. The Chaohu Power Interests Transfer Agreement provides that, among other things, the obtaining of material third party consents required for relevant Transfers a condition to completion. As at the Latest Practicable Date, consents to the equity transfer of the relevant Target Companies from minority shareholders of Chaohu Power have been obtained.

Indemnity: Each party shall promptly indemnify and hold the other party harmless from and against any and all losses and expenses arising out of or in connection with its breach of any provisions (including any of its representations, warranties, commitments and undertakings) of the Chaohu Power Interests Transfer Agreement.

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E. INFORMATION REGARDING THE TARGET COMPANIES

1. Hainan Power

Hainan Power is engaged in the investment, construction and operation of various types of power plants; the development of conventional and renewable energy; power plant engineering, procurement and construction as well as equipment maintenance service; and technical advisory service (operating by license whenever an administrative license is required). Hainan Power has a registered capital of RMB1,326,419,587.

Hainan Power is a joint stock limited company for private placement incorporated upon the approval of the Hainan Securities Commission in 1993 and registered on 12 January 1994. At the time of its incorporation, Hainan Power issued employee shares to the employees of its legal person shareholders. On 7 April 1997, the Hainan Securities Management Office issued the Official Reply on the Adjustment of the Share Capital of Hainan Nanshan Power Co., Ltd. (Qiong Zheng Ban [1997] No. 68), confirming the share capital structure of Hainan Power as follows: 152.1 million sponsor's legal person shares (), representing 36.11% of the total share capital; 207.85 million non-sponsor legal person shares (), representing 49.34% of the total share capital; 61.886 million internal employee shares (), representing 14.55% of the total share capital. On 3 July 2001, the People's Government of Hainan Province issued the Circular on Clarifying and Regulating the Issuance of Internal Employee Shares by Hainan Zhonghai Energy Co., Ltd. (Qiong Fu Han [2001] No. 46), which confirms that Hainan Power has prepared and maintained a register of all the legal person shareholders and internal employee shareholders in accordance with State regulations and has registered and put in trust all of its shares at the Hainan Securities Exchange Center. By doing so, the irregularities in the course of incorporation and operation of Hainan Power have been promptly corrected and standardized. In 2004, Huaneng Group acquired from 11 legal person shareholders of Hainan Power, including Hainan Provincial Electric Power Company, 51% of the total share capital of Hainan Power and therefore became the controlling shareholder of Hainan Power. In August 2013, Hainan Power increased its share capital pursuant to the resolution adopted at the 2012 annual general meeting to 1,326,419,587 shares, including 1,217,591,995 shares held by Huaneng Group, accounting for 91.8% of the total share capital. Currently, Huaneng Group holds 91.8% of the equity interest in Hainan Power, while other shareholders, including employee shares held by ex-employees and existing employees of Hainan Power, China Aviation Industry Renewable Energy Corporation as well as other entities, hold in aggregate 8.2% of the equity interest in Hainan Power. China Aviation Industry Renewable Energy Corporation, which (being the second largest shareholder of Hainan Power) holds approximately 0.97% of the equity interest in Hainan Power, was incorporated in the PRC and is principally engaged in investment of coal power units and wind power generation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, holders of the employee shares and China Aviation Industry Renewable Energy Corporation are third parties independent of the Company and its connected persons.

Hainan Power has set up Haikou Plant, Dongfang Plant, Gezhen Hydropower, Wenchang Plant, Nanshan Plant and other branches engaging in power generation operations as well as Power Servicing Branch dealing with internal overhaul operations. In addition, Hainan Power holds 100% interests in Huaneng Wenchang Wind Power Generation Co., Ltd. (which has a registered capital of

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RMB1 million and has not actually engaged in any operating business) and 40% interests in Shanghai Ruining Shipping Co., Ltd. (which has a registered capital of RMB500 million and is mainly engaged in cargo transport).

Haikou Plant currently operates two 138 MW and two 330 MW condensing thermal power units which were put into operation in the years of 1999, 2000, 2006 and 2006 respectively; Dongfang Plant currently operates four 350 MW condensing thermal power units which were put into operation in the years of 2009, 2009, 2012 and 2012 respectively; Gezhen Hydropower currently runs two 40 MW hydropower units which were put into operation in the year of 2009; Wenchang Plant currently runs 33 wind power units with a total capacity of 49.5 MW, which were put into operation in the year of 2008; Nanshan Plant currently operates two gas-fired combined cycle power generation units with a total installed capacity of 132 MW, which were put into operation in the year of 2003. All these power plants have obtained the electric power business license () issued by SERC, except Unit No. 4 of Dongfang whose electric power business license is being renewed and is in the final stage of approval. The Company believes that there does not exist any material legal impediment in obtaining the renewal of the licence.

According to relevant regulations, existing coal-fired boilers and gas turbines of thermal plants have to achieve the emission limit values for flue dust, sulfur dioxide, nitrogen oxides and flue gas blackness as set forth in the Emission Standards of Air Pollutants for Thermal Power Plants (GB13223-2011) since 1 July 2014. Due to the power shortage in Hainan province, Units No.4, No.5 and No.9 of Haikou Plant and Unit No.1 of Dongfang Plant have been temporarily left out of environmental transformation as per the instructions of the Hainan government for the purpose of ensuring power supply. Hainan Power will communicate and coordinate with the Hainan government and complete the environmental transformation to achieve the pollutant emission standards as soon as possible, so as to avoid administrative penalties due to environmental issues.

Based on the communication between Hainan Power and the provincial government, Unit No.9 of Haikou Power Plant has initially scheduled to conduct denitration transformation in about November 2014, Units Nos.4 and 5 of Haikou Power Plant will conduct denitration transformation in about January 2015 and Unit No.1 of Dongfang Power Plant will conduct environmental transformation in 2015. In the near term, replacement of the catalyst of Unit No.1 of Dongfang Power Plant will be arranged for in order to improve the denitration efficiency. According to the Prevent of Air Pollution Act, emission of the air pollutants exceeding statutory standards by Haikou Power Plant and Dongfang Power Plant may potentially liable to pay penalty to relevant environmental authority in an amount not exceeding RMB100,000. According to the Huaneng Group Interests Transfer Agreement, Huaneng Group warranted with the Company that Hainan Power is not in breach of the applicable law, rule or regulation (including environmental laws) in material aspects nor has it received any notice or claims (which has a significant adverse effect on Hainan Power) of its breach of the relevant law, rule or regulation. In the event of breach of the above warranty, the Company shall be entitled to serve notice on Huaneng Group pursuant to the agreement for compensation of any loss and expenses the Company may incur as a result.

Currently, Dongfang Plant, Haikou Plant and Gezhen Hydropower of Hainan Power are yet to apply for state-owned land use rights certificates covering a total area of approximately 6,388,000 sq. m. Of which, approximately 6,313,000 sq. m. of land owned by Gezhen Hydropower has obtained

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Compensation Amount payable by Hainan Power is less than the Provisioned Amount, the Company shall pay the relevant difference to Huaneng Group, such difference shall equal to (Provision Amount – Actual Compensation Amount) × 91.8% (i.e. the shareholding ratio of Huaneng Group in Hainan Power).

The target of the Transfer includes the Hainan Power Interests held by Huaneng Group. Huaneng Group warrants that the ownership of the Hainan Power Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Hainan Power Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings.

Following the Completion, Hainan Power will become a majority-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company upon completion of relevant procedures, including the appointment of directors by the Company. The Company has not provided any guarantee to Hainan Power nor authorised Hainan Power for management of its funds, nor does it exist any use of the Company's fund by Hainan Power.

2. Wuhan Power

Wuhan Power is engaged in businesses including the generation of thermal power and the integrated use of coal ash powder. Wuhan Power has a registered capital of RMB1,445,754,800.

The predecessor of Wuhan Power was Huazhong Huaneng Yangluo Power Plant. On 28 June 1995, the establishment of Wuhan Huazhong Huaneng Power Generation Co., Ltd. jointly initiated by Huaneng Power Generation Company, China Huazhong Power Group Company, Wuhan City Electric Power Development Company, Huaneng Group, Huazhong Power Development Company and Wuhan Tianli Property Development Company was approved by the Ministry of Power and Industry in the Circular [1995] No.386. In 2003, the State implemented structural reforms for the separation of power plants and grids. Huaneng Power Generation Company transferred its 38% interests to Huaneng Group, China Huazhong Power Group Company and Huazhong Power Development Company transferred their 33.25% and 1.75% interests respectively to Huaneng Group, while Wuhan Tianli Property Development Company and Wuhan City Electric Power Development Company transferred their 1.25% and 23.75% interests respectively to Wuhan Xinneng. Meanwhile, Wuhan Power was transformed into a limited liability company. At present, Huaneng Group and Wuhan Xinneng hold 75% and 25% of Wuhan Power respectively. Wuhan Xinneng was incorporated in the PRC and is principally engaged in energy development energy saving and new material research. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Wuhan Xinneng is a third party independent of the Company and its connected persons.

Currently, there are four 300 MW class condensing thermal power units and two 600 MW condensing thermal power units operating under Wuhan Power, which were put into operation in years of 1993, 1994, 1997, 1997, 2006 and 2006 respectively. Wuhan Power has obtained the Electric Power Business License issued by SERC on 30 Dec 2009.

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Currently, a parcel of land with total area of approximately 5,769,000 sq. m. owned by Wuhan Power is yet to pursue procedures for transfer of ownership to Wuhan Power, of which, a portion of land with an area of approximately 5,199,000 sq. m. has obtained an approval from Wuhan Xinzhou District Land and Resource Planning Bureau, giving consent to the continuous use of land by way of allocation. Wuhan Power currently owns a parcel of land of approximately 71,000 sq. m. which is pending application for state-owned land use rights certificates. Premises with floor area of approximately 17,000 sq. m. owned by Wuhan Power are yet to pursue procedures for transfer of ownership to Wuhan Power and premises with floor area of approximately 58,000 sq. m. are yet to pursue application procedures for property ownership certificates.

As for those lands of Wuhan Power, of which the state-owned land use rights certificates are yet to pursue, it is mainly because they still need to combine ash piping lines and to wait for governmental adjustment of planning. As for those lands of Wuhan Power, of which the state-owned land use rights certificates are still yet to be transferred to its own, it is mainly because Wuhan Power has not finished the changes of registration on relevant state-owned land use rights certificates immediately after changing its name historically. Wuhan Power already completed the land surveying and mapping procedures and it has already specified the name changing information in the old land ownership certificates and is currently in the process of renewing the certificates. As for those properties of Wuhan Power, of which the ownership certificates are yet to pursue, it is mainly because of the delayed schedule due to the fact that these properties are located within the area of Wuhan Power Station, thus it does not affect the ownership and usage of these properties by Wuhan Power or the normal business operation without the property ownership certificates. As for those properties of Wuhan Power, of which the ownership certificates are yet to be transferred to its own, it is mainly because Wuhan Power has not finished the change of registration on relevant ownership certificates immediately after changing the company's name historically. Huaneng Group has already requested Wuhan Power to correct those ownership defects of lands and properties, and Wuhan Power is now in the process of obtaining the above-stated ownership certificates. The above-stated property or land ownership defects will not cause material adverse effect to the Transfer and the normal operation of business of Wuhan Power after the Transfer.

The targets of the Transfer includes the Wuhan Power Interests held by Huaneng Group. Huaneng Group warrants that the ownership of the Wuhan Power Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Wuhan Power Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings. Wuhan Xinneng has given its written consent to the Transfer and waived its pre-emptive right with respect to the Transfer.

Following the Completion, Wuhan Power will become a majority-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company upon completion of relevant procedures, including the appointment of directors by the Company. The Company has not provided any guarantee to Wuhan Power nor authorised Wuhan Power for management of its fund, nor does it exist any use of the Company's fund by Wuhan Power.

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3. Suzhou Thermal Power

Suzhou Thermal Power is engaged in businesses including thermal power generation and steam production; the installation and maintenance of electromechanical equipment and pipelines and the sale of hot water, demineralized water and coal ash powder. Suzhou Thermal Power has a registered capital of RMB240 million.

The predecessor of Suzhou Thermal Power was Suzhou Huaneng Thermal Power Plant. On 15 September 1997, the plant was restructured into a limited liability company. After multiple increases of registered capital and share transfers, the current shareholding structure of Suzhou Thermal Power is as follows: 53.45% interests held by Huaneng Group; 30.31% by Suzhou Hi-Tech; and 16.24% by Changjiang Energy. Suzhou Hi-Tech was incorporated in the PRC and is principally engaged in investment of high-tech product development, production, energy, transportation, communications and other infrastructure industries. Changjiang Energy was incorporated in the PRC and is principally engaged in development of energy saving equipment, production and sales. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Suzhou Hi-Tech and Changjiang Energy are third parties independent of the Company and its connected persons.

Currently, there are two 60 MW extraction condensing power units operating under Suzhou Thermal Power, which were put into operation in the second half of 2006. Suzhou Thermal Power has not obtained the Electric Power Business License () yet. On 15 March 2012, the Qualification Center of the Jiangsu Regulatory Specialist Office SERC issued the relevant certificate, allowing the company to continue its power generation business.

Currently, premises with floor area of approximately 40,000 sq. m. owned by Suzhou Thermal Power are yet to pursue application procedures for Property Ownership Certificates.

As for those properties of Suzhou Thermal Power, of which the ownership certificates are yet to pursue, it is mainly because of the delayed schedule due to lack of urgency based on a belief that it does not affect the operation of the Suzhou Thermal Power without the property ownership certificates. Huaneng Group has already requested Suzhou Thermal Power to correct those ownership defects of properties, and Suzhou Thermal Power is now in the process of obtaining the above-stated property ownership certificates. The above-stated property ownership defects will not cause material adverse effect to the Transfer and the normal operation of business of Suzhou Thermal Power after the Transfer.

The target of the Transfer include the Suzhou Thermal Power Interests held by Huaneng Group. Huaneng Group warrants that the ownership and title of the Suzhou Thermal Power Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Suzhou Thermal Power Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings. Suzhou Hi-Tech and Changjiang Energy have given their written consent to the Transfer and waived their pre-emptive rights with respect to the Transfer.

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Following the Completion, Suzhou Thermal Power will become a majority-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company upon completion of relevant procedures, including the appointment of directors by the Company. The Company has not provided any guarantee to Suzhou Thermal Power nor authorised Suzhou Thermal Power for management of its fund, nor does it exist any use of the Company's fund by Suzhou Thermal Power.

4. Dalongtan Hydropower

Dalongtan Hydropower is engaged in businesses including hydropower development and power generation and operation. Dalongtan Hydropower has a registered capital of RMB76 million.

Dalongtan Hydropower was established in March 1999. Huaneng Group acquired from China Wallink its 97% interests in Dalongtan Hydropower at a price of RMB218 million in December 2009. At present, Huaneng Group and Enshi City Investment Company hold 97% and 3% of Dalongtan Hydropower respectively. Enshi City Investment Company was established in the PRC and is principally engaged in the operation of the fund management of Enshi City, fixed asset investment projects. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Enshi City Investment Company is a third party independent of the Company and its connected persons.

Currently, Dalongtan Hydropower mainly operates three 10 MW class hydropower units which were put into operation in the years of 2005, 2006 and 2006 respectively. Dalongtan Hydropower has obtained the Electric Power Business License () issued by SERC on 21 April 2014.

Currently, premises with floor area of approximately 493 sq. m. owned by Dalongtan Hydropower are yet to pursue application procedures for Property Ownership Certificates.

As for those properties of Dalongtan Hydropower, of which the ownership certificates are yet to pursue, it is mainly because of the delayed schedule due to the fact that these properties are located within the area of Dalongtan Hydropower Station and they only occupied 493 m², thus it does not affect the usage of these properties by Dalongtan Hydropower without the property ownership certificates or the usual business operation of power plants. Huaneng Group has already requested Dalongtan Hydropower to correct those ownership defects of properties, and Dalongtan Hydropower is now in the process of obtaining the above-stated property ownership certificates. The above-stated property ownership defects will not cause material adverse effect to the Transfer and the normal operation of business of Dalongtan Hydropower after the Transfer.

The target of the Transfer includes the Dalongtan Hydropower Interests held by Huaneng Group. Huaneng Group warrants that the ownership of the Dalongtan Hydropower Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Dalongtan Hydropower Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings. Enshi City Investment Company has given its written consent to the Transfer and waived its pre-emptive right with respect to the Transfer.

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Following the Completion, Dalongtan Hydropower will become a majority-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company upon completion of relevant procedures, including the appointment of directors by the Company. The Company has not provided any guarantee to Dalongtan Hydropower nor authorised Dalongtan Hydropower for management of its fund, nor does it exist any use of the Company's fund by Dalongtan Hydropower.

5. Hualiangting Hydropower

The scope of business of Hualiangting Hydropower includes normal operations (power generation and transfer) as well as water supply (irrigation). Hualiangting Hydropower has a registered capital of RMB50 million.

The predecessor of Hualiangting Hydropower was Anqing Hualiangting Hydropower Station of the Anhui Province. On 30 December 2011, the Anqing Municipal Government approved the transfer of the entire Hualiangting Hydropower Station to Huaneng Group without consideration in its Official Reply on the Transfer of the State-owned Assets of Anqing Hualiangting Hydropower Station Without Consideration (Yi Zheng Mi [2011] No.249). On 1 July 2012, Huaneng Group issued the Reply on the Restructuring of Hualiangting Hydropower Station, agreeing to restructure Hualiangting Hydropower Station into a corporate enterprise. At present, Hualiangting Hydropower is 100% owned by Huaneng Group.

Currently, there are four 10 MW hydropower generators operating under Hualiangting Hydropower, which were put into operation in the years of 1981, 1981, 1987 and 1987 respectively. Hualiangting Hydropower has obtained the Electric Power Business License () issued by SERC on 23 May 2013.

Currently, premises with floor area of approximately 3,000 sq. m. owned by Hualiangting Hydropower are yet to pursue application procedures for Property Ownership Certificates.

As for those properties of Hualiangting Hydropower, of which the ownership certificates are yet to pursue, it is mainly because it did not complete the registration procedure in time historically due to the fact that those properties are bunk houses with brick and wood structure constructed in 1960s, and it does not affect the normal business operation of the Hydropower Station, thus it is believed that there will be no immediate urgency to have such ownership certificates. Huaneng Group has already requested Hualiangting Hydropower to correct those ownership defects of properties, and Hualiangting Hydropower is now in the process of pursuing the above-stated property ownership certificates. The above-stated property ownership defects will not cause material adverse effect to the Transfer and the normal operation of business of Hualiangting Hydropower after the Transfer.

The target of the Transfer includes the Hualiangting Hydropower Interests held by Huaneng Group. Huaneng Group warrants that the ownership of the Hualiangting Hydropower Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Hualiangting Hydropower Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings.

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Following the Completion, Hualiangting Hydropower will become a wholly-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company. The Company has not provided any guarantee to Hualiangting Hydropower nor authorised Hualiangting Hydropower for management of its fund, nor does it exist any use of the Company's fund by Hualiangting Hydropower.

6. Chaohu Power

Chaohu Power is engaged in the construction and operation of power plants and related projects. Chaohu Power has a registered capital of RMB800 million.

As approved by the Ministry of Commerce in the Official Reply of the Ministry of Commerce Concerning the Approval of the Establishment of Huaneng Chaohu Power Generation Co., Ltd. (Shang Zi Pi [2007] No.1922), Chaohu Power was established by HIPDC on 2 November 2007. In 2009, the Department of Commerce of the Anhui Province issued the Official Reply Concerning the Approval of the Acquisition of Huaneng Chaohu Power Generation Co., Ltd. by Foreign Capital (Wan Shang Zi Zhi Zi [2009] No.685), approving the transfer by HIPDC of its 30% interests in Chaohu Power to Huainan Mining at a price of RMB445,408,530 and its 10% interests in Chaohu Power to Huaneng HK. At present, HIPDC, Huainan Mining and Huaneng HK hold 60%, 30% and 10% of Chaohu Power respectively. Huainan Mining was incorporated in the PRC and is principally engaged in coal mining and sales, power generation and utilization of methane gas. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Huainan Mining is a third party independent of the Company and its connected persons. Huaneng HK is a wholly-owned subsidiary of Huaneng Group and therefore a connected person of the Company. Any transaction(s), if required, to be conducted between the Company and its subsidiaries and Huaneng HK and its subsidiaries and associates shall be subject to compliance with the Hong Kong Listing Rules.

Currently, Chaohu Power operates two 600 MW condensing thermal power units which were put into operation in the year of 2008. Chaohu Power has obtained the Electric Power Business License () issued by SERC on 27 August 2008.

The target of the Transfer includes the Chaohu Power Interests held by HIPDC. HIPDC warrants that the ownership and title of the Chaohu Power Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Chaohu Power Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings. Huainan Mining and Huaneng HK have given their written consents to the Transfer.

Following the Completion, Chaohu Power will become a majority-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company upon completion of relevant procedures, including the appointment of directors by the Company. The Company has not provided any guarantee to Chaohu Power nor authorised Chaohu Power for management of its fund, nor does it exist any use of the Company's fund by Chaohu Power.

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7. Ruijin Power

Ruijin Power is engaged in the construction, operation and management of power plants and related projects (the abovementioned projects are carried out according to specific requirements of the state). Ruijin Power has a registered capital of RMB536,923,299.02.

Ruijin Power was established by HIPDC which, up to the Latest Practicable Date, is the sole shareholder and holds 100% interests thereof.

Currently, Ruijin Power operates two 350 MW thermal power units, both of which were put into operation in 2008. Ruijin Power has obtained the Electric Power Business License () issued by SERC on 31 May 2010.

Premises with floor area of approximately 258 sq. m. owned by Ruijin Power are currently yet to pursue application for transfer of ownership to Ruijin Power and premises with floor area of approximately 63,000 sq. m. are currently undergoing application procedures for property ownership certificates.

As for those properties of Ruijin Power, of which the ownership certificates are yet to obtain, it is mainly because of the fact that these properties are located within the area of Ruijin Power Station, thus it does not affect the usage of these properties by Ruijin Power without the property ownership certificates or the normal business operation of Ruijin Power. As for those properties of Ruijin Power, of which the ownership certificates are yet to be transferred to its own, it is mainly because they were purchased as commercial properties, and Ruijin Power has not finished the changes of registration on relevant ownership certificates immediately after the purchase. HIPDC has already requested Ruijin Power to correct those ownership defects of properties, and Ruijin Power is now in the process of obtaining the above-stated property ownership certificates. The above-stated property ownership defects will not cause material adverse effect to the Transfer and the normal operation of business of Ruijin Power after the Transfer.

The target of the Transfer includes the Ruijin Power Interests held by HIPDC. HIPDC warrants that the ownership and title of the Ruijin Power Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Ruijin Power Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings.

Following the Completion, Ruijin Power will become a wholly-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company. The Company has not provided any guarantee to Ruijin Power nor authorised Ruijin Power for management of its fund, nor does it exist any use of the Company's fund by Ruijin Power.

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8. Anyuan Power

Anyuan Power is engaged in businesses including the construction, operation and management of power plants and related projects as well as the generation and distribution of electric power (unless otherwise specifically provided by national laws and regulations, those requiring pre-approval are to be operated by license). Anyuan Power has a registered capital of RMB125 million.

The predecessor of Anyuan Power was Pingxiang Anneng Power Plant. In August 2008, Jiangxi Provincial Investment Group Corporation issued the Reply on the Renaming of Pingxiang Anneng Power Plant (Gan Tou Dian Jing Zi [2008] No.18), approving the renaming of Pingxiang Anneng Power Plant to Pingxiang Anneng Power Generation Co., Ltd. In October 2008, the State-owned Assets Supervision and Administration Commission of the Jiangxi Province issued the Official Reply Concerning the Approval of the Transfer of Equity Interests of Pingxiang Anneng Power Generation Co., Ltd. by Agreement (Gan Guo Zi Chan Quan Zi [2008] No.340), approving the transfer of equity interests of Pingxiang Anneng Power Generation Co., Ltd. to HIPDC by way of agreement. At present, Anyuan Power is 100% owned by HIPDC.

The 125 MW and 135 MW thermal power units previously operated by Anyuan Power have been shut down in March 2012 in compliance with the policy of closing smaller generation units and replaced with bigger and efficient ones. The shut down of the two thermal power units would not have any operational or legal impact to Anyuan Power nor the Company following completion of the Transfers. Currently, there are two 600 MW domestic supercritical coal-fired generating units being constructed by Anyuan Power.

Four parcels of land in the old plant of Anyuan Power with total area of approximately 1,670,000 sq. m. are currently pending application for transfer of ownership to Anyuan Power. Of which, land premium for approximately 1,340,000 sq. m. of land being transferred is outstanding. Currently, premises with total gross floor area of approximately 370 sq.m. owned by Anyuan Power have yet to be registered for transferring the ownership to Anyuan Power.

As for those lands and properties of Anyuan Power, of which the property ownership certificates and state-owned land use rights certificates and state-owned land use rights certificates are yet to be transferred to its own, it is mainly because Anyuan Power has not finished the changes of registration on relevant land use rights certificates or property ownership certificates immediately after reconstruction in the past. The above-stated property ownership defects will not cause material adverse effect to the Transfer and the normal operation of business of Anyuan Power after the Transfer.

The target of the Transfer includes the Anyuan Power Interests held by HIPDC. HIPDC warrants that the ownership of the Anyuan Power Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Anyuan Power Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings.

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Following the Completion, Anyuan Power will become a wholly-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company. The Company has not provided any guarantee to Anyuan Power nor authorised Anyuan Power for management of its fund, nor does it exist any use of the Company's fund by Anyuan Power in possession of any funds of the Company.

9. Jingmen Thermal Power

Jingmen Thermal Power is engaged in businesses including thermal power, power development and power services. Jingmen Thermal Power has a registered capital of RMB780 million.

Jingmen Thermal Power was established by HIPDC which is currently the sole shareholder and holds 100% interests thereof.

Currently, there are two 350 MW domestic supercritical extraction condensing units being constructed by Jingmen Thermal Power.

The target of the Transfer includes the Jingmen Thermal Power Interests held by HIPDC. HIPDC warrants that the ownership of the Jingmen Thermal Power Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Jingmen Thermal Power Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings.

Following the Completion, Jingmen Thermal Power will become a wholly-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company. The Company has not provided any guarantee to Jingmen Thermal Power nor authorised Jingmen Thermal Power for management of its fund, nor does it exist any use of the Company's fund by Jingmen Thermal Power.

10. Yingcheng Thermal Power

Yingcheng Thermal Power is engaged in businesses including the construction, operation and management of power plants as well as the generation and distribution of electric and heat power. Yingcheng Thermal Power has a registered capital of RMB41,976,700.

Yingcheng Thermal Power was established by HIPDC which is currently the sole shareholder and holds 100% interests in the company.

Yingcheng Thermal Power is currently constructing one 350 MW domestic supercritical thermal power generating unit and one 50 MW extraction back- pressure power unit.

The target of the Transfer includes the Yingcheng Thermal Power Interests held by HIPDC. HIPDC warrants that the ownership of the Yingcheng Thermal Power Interests is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownership thereof, and that the Yingcheng Thermal Power Interests are not the subject of any dispute, litigation, arbitration or other legal proceedings.

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Following the Completion, Yingcheng Thermal Power will become a wholly-owned subsidiary of the Company and its financial data will be included in the consolidated financial statements of the Company. The Company has not provided any guarantee to Yingcheng Thermal Power nor authorised Yingcheng Thermal Power for management of its fund, nor does it exist any use of the Company's fund by Yingcheng Thermal Power.

F. SUMMARY OF FINANCIAL INFORMATION OF THE TARGET COMPANIES

1. Hainan Power

In accordance with the PwC ZT Te Shen Zi (2014) No. 1549 Audit Report issued by PricewaterhouseCoopers Zhong Tian LLP, which is qualified to practise securities and futures related businesses, on the financial statements of Hainan Power as of 31 December 2013 and 31 May 2014, the major financial indicators (on a consolidated basis) (audited) of Hainan Power are as follows:

Summary of Major Financial Information of Hainan Power

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	939,175.81	983,980.19
Total liabilities	713,072.99	705,923.20
Net assets	226,102.82	278,056.99
	For the year 2013	5-month period ended 31 May 2014
Operating income	626,738.52	272,946.52
Total profit	112,402.79	70,336.13
Net profit	82,885.04	51,954.17
Net profit less non-recurring gains/losses	91,462.45	52,093.16

The unaudited total profit and unaudited net profit (each on a consolidated basis) of Hainan Power for the year 2012 are RMB715.3662 million and RMB607.7531 million respectively.

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2. Wuhan Power

In accordance with the KPMG HZ Shen Zi No. 1401737 Audit Report issued by KPMG Huazhen (Special General Partnership), which is qualified to practise securities and futures related businesses, on the financial statements of Wuhan Power as of 31 December 2013 and 31 May 2014, the major financial indicators (audited) of Wuhan Power are as follows:

Summary of Major Financial Information of Wuhan Power

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	539,895.52	508,831.35
Total liabilities	418,934.70	360,940.25
Net assets	120,960.82	147,891.10
	For the year 2013	5-month period ended 31 May 2014
Operating income	449,290.27	175,622.29
Total profit	79,847.82	35,871.48
Net profit	78,874.66	26,930.28
Net profit less non-recurring gains/losses	79,950.40	26,823.70

The unaudited total profit and unaudited net profit of Wuhan Power for the year 2012 are RMB280.8759 million and RMB280.8998 million respectively.

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3. Suzhou Thermal Power

In accordance with the KPMG HZ Shen Zi No. 1401735 Audit Report issued by KPMG Huazhen (Special General Partnership), which is qualified to practise securities and futures related businesses, on the financial statements of Suzhou Thermal Power as of 31 December 2013 and 31 May 2014, the major financial indicators (audited) of Suzhou Thermal Power are as follows:

Summary of Major Financial Information of Suzhou Thermal Power

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	70,422.44	61,746.06
Total liabilities	38,092.07	26,859.51
Net assets	32,330.37	34,886.55
	For the year 2013	5-month period ended 31 May 2014
Operating income	48,454.60	20,203.23
Total profit	6,380.54	3,405.53
Net profit	4,780.73	2,556.18
Net profit less non-recurring gains/losses	4,730.32	2,597.77

The unaudited total profit and unaudited net profit of Suzhou Thermal Power for the year 2012 are RMB47.1525 million and RMB35.0885 million respectively.

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4. Dalongtan Hydropower

In accordance with the KPMG HZ Shen Zi No. 1401739 Audit Report issued by KPMG Huazhen (Special General Partnership), which is qualified to practise securities and futures related businesses, on the financial statements of Dalongtan Hydropower as of 31 December 2013 and 31 May 2014, the major financial indicators (on a consolidated basis) (audited) of Dalongtan Hydropower are as follows:

Summary of Major Financial Information of Dalongtan Hydropower

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	33,729.93	33,259.31
Total liabilities	24,476.29	24,900.99
Net assets	9,253.64	8,358.32
	For the year 2013	5-month period ended 31 May 2014
Operating income	3,651.04	1,448.36
Total profit	4,421.52	(895.32)
Net profit	4,130.46	(895.32)
Net profit less non-recurring gains/losses	4,122.29	(895.32)

The unaudited total profit and unaudited net profit (each on a consolidated basis) of Dalongtan Hydropower for the year 2012 are RMB18.4195 million and RMB18.4195 million respectively.

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5. Hualiangting Hydropower

In accordance with the KPMG HZ Shen Zi No. 1401736 Audit Report issued by KPMG Huazhen (Special General Partnership), which is qualified to practise securities and futures related businesses, on the financial statements of Hualiangting Hydropower as of 31 December 2013 and 31 May 2014, the major financial indicators (on a consolidated basis) (audited) of Hualiangting Hydropower are as follows:

Summary of Major Financial Information of Hualiangting Hydropower

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	7,808.96	4,591.04
Total liabilities	4,423.19	4,214.67
Net assets	3,385.77	376.37
	For the year 2013	5-month period ended 31 May 2014
Operating income	2,323.22	637.64
Total profit	5.08	(3,009.40)
Net profit	(43.74)	(3,009.40)
Net profit less non-recurring gains/losses	(47.79)	(3,165.83)

The unaudited total loss and unaudited net loss (each on a consolidated basis) of Hualiangting Hydropower for the year 2012 are RMB1.272 million and RMB1.272 million respectively.

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6. Chaohu Power

In accordance with the KPMG HZ Shen Zi No. 1401734 Audit Report issued by KPMG Huazhen (Special General Partnership), which is qualified to practise securities and futures related businesses, on the financial statements of Chaohu Power as of 31 December 2013 and 31 May 2014, the major financial indicators (audited) of Chaohu Power are as follows:

Summary of Major Financial Information of Chaohu Power

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	311,166.45	302,976.26
Total liabilities	218,279.25	198,704.14
Net assets	92,887.20	104,272.12
	For the year 2013	5-month period ended 31 May 2014
Operating income	256,031.17	98,299.86
Total profit	33,342.09	15,271.41
Net profit	23,723.27	11,384.92
Net profit less non-recurring gains/losses	27,584.58	13,440.40

The unaudited total profit and unaudited net profit of Chaohu Power for the year 2012 are RMB150.0457 million and RMB131.5979 million respectively.

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7. Ruijin Power

In accordance with the PwC ZT Te Shen Zi (2014) No. 1552 Audit Report issued by PricewaterhouseCoopers Zhong Tian LLP, which is qualified to practise securities and futures related businesses, on the financial statements of Ruijin Power as of 31 December 2013 and 31 May 2014, the major financial indicators (audited) of Ruijin Power are as follows:

Summary of Major Financial Information of Ruijin Power

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	240,947.10	246,209.11
Total liabilities	220,034.54	220,837.08
Net assets	20,912.56	25,372.03
	For the year 2013	5-month period ended 31 May 2014
Operating income	135,218.36	53,684.58
Total profit	8,430.57	4,459.47
Net profit	8,430.57	4,459.47
Net profit less non-recurring gains/losses	9,708.43	4,415.87

The unaudited total profit and unaudited net profit of Ruijin Power for the year 2012 are RMB1.3656 million and RMB1.3656 million respectively.

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8. Anyuan Power

In accordance with the PwC ZT Te Shen Zi (2014) No. 1551 Audit Report issued by PricewaterhouseCoopers Zhong Tian LLP, which is qualified to practise securities and futures related businesses, on the financial statements of Anyuan Power as of 31 December 2013 and 31 May 2014, the major financial indicators (audited) of Anyuan Power are as follows:

Summary of Major Financial Information of Anyuan Power

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	180,651.98	234,491.04
Total liabilities	193,273.30	244,444.47
Net assets	(12,621.32)	(9,953.43)
	For the year 2013	5-month period ended 31 May 2014
Operating income	46,824.76	7,617.64
Total profit	(9,224.97)	(4,752.11)
Net profit	(9,224.97)	(4,752.11)
Net profit less non-recurring gains/losses	(9,063.15)	(4,410.07)

The unaudited total loss and unaudited net loss of Anyuan Power for the year 2012 are RMB(64.0135) million and RMB(64.0135) million respectively.

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9. Jingmen Thermal Power

In accordance with the KPMG HZ Shen Zi No. 1401738 Audit Report issued by KPMG Huazhen (Special General Partnership), which is qualified to practise securities and futures related businesses, on the financial statements of Jingmen Thermal Power as of 31 December 2013 and 31 May 2014, the major financial indicators (audited) of Jingmen Thermal Power are as follows:

Summary of Major Financial Information of Jingmen Thermal Power

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	137,066.02	179,792.01
Total liabilities	117,940.67	141,039.66
Net assets	19,125.35	38,752.35
	For the year 2013	5-month period ended 31 May 2014
Operating income	—	—
Total profit	—	—
Net profit	—	—
Net profit less non-recurring gains/losses	—	—

The unaudited total profit and unaudited net profit of Jingmen Thermal Power for the year 2012 are RMB0 and RMB0 respectively.

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10. Yingcheng Thermal Power

In accordance with the KPMG HZ Shen Zi No. 1401740 Audit Report issued by KPMG Huazhen (Special General Partnership), which is qualified to practise securities and futures related businesses, on the financial statements of Yingcheng Thermal Power as of 31 December 2013 and 31 May 2014, the major financial indicators (audited) of Yingcheng Thermal Power are as follows:

Summary of Major Financial Information of Yingcheng Thermal Power

Item	Unit: RMB10,000	
	As of 31 December 2013	As of 31 May 2014
Total assets	72,200.33	114,460.58
Total liabilities	58,002.66	93,839.91
Net assets	14,197.67	20,620.67
	For the year 2013	5-month period ended 31 May 2014
Operating income	—	—
Total profit	—	—
Net profit	—	—
Net profit less non-recurring gains/losses	—	—

The unaudited total profit and unaudited net profit of Yingcheng Thermal Power for the year 2012 are RMB0 and RMB0 respectively.

G. ASSETS VALUATION OF THE TARGET COMPANIES

1. Hainan Power

In accordance with the Asset Valuation Report Zhong He Ping Bao Zi (2014) No. BJV6008 issued by ZhongHe Appraisal Co., Ltd., which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the asset-based approach and income-based approach for

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an overall valuation of Hainan Power and, through analysis and comparison, has finally selected the results of the asset-based approach as the final conclusion of the valuation. Detailed valuation results are as follows:

				Unit: RMB10,000
	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Hainan Power	278,056.79	462,500.69	184,443.90	66.33

According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The relevant asset valuation report is set out in Appendix II(i) to this circular.

Intangible assets—land use rights had a more significant appreciation upon valuation, which is mainly due to earlier acquisition of land parcels to be valued and increase in land value in recent years. This valuation covered land use rights of 37 parcels of land, of which 32 parcels of land within the scope of the present valuation were valued by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd. The valuation disregarded the effect of the outstanding business licence for Hainan Power and valued the properties in respect of which property ownership certificates are outstanding primarily on a replacement cost method. The conclusion of the valuation made reference to the valuation results of a land valuation report prepared by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd. under the same appraisal Base Date, same valuation objective and same scope of valuation. Two residential cases corresponded to land use rights, and were consolidated into the corresponding fixed assets in the valuation; the remaining three cases mainly involved land acquisition and demolition costs for the preliminary stage of power plant projects, and the verified book value was used as the appraised value.

2. Wuhan Power

In accordance with the Asset Valuation Report Da Zheng Hai Di Ren Ping Bao Zi (2014) No. 216A issued by Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd., which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the

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asset-based approach and income-based approach for an overall valuation of Wuhan Power and, through analysis and comparison, has finally selected the results of the asset-based approach as the final conclusion of the valuation. Detailed valuation results are as follows:

				Unit: RMB10,000
	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Wuhan Power	147,891.10	361,083.56	213,192.46	144.16

According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The relevant asset valuation report is set out in Appendix II(ii) to this circular.

Intangible assets—land use rights had a more significant appreciation upon valuation. The main reason of appreciation was due to early acquisition of land and increase in land value in recent years. This valuation covered land use rights of 34 parcels of land, of which 29 parcels of land within the scope of the present valuation were valued by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd. The valuation of the properties in respect of which property ownership certificates are outstanding was primarily based on a replacement cost method. The conclusion of the valuation made reference to the valuation results of a land valuation report prepared by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd. under the same valuation Base Date, same valuation objective and same scope of valuation; land use right certificates had not been applied for the remaining 5 parcels of land as at the valuation Base Date, and the verified book value was used as the appraised value.

3. Suzhou Thermal Power

In accordance with the Asset Valuation Report Zhong Feng Ping Bao Zi (2014) No. 034-3 issued by Beijing Sinotop Appraisal Co., Ltd., which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the asset-based approach and income-based approach for an overall valuation of Suzhou Thermal Power and, through analysis and comparison, has finally selected the results of the asset-based approach as the final conclusion of the valuation. Detailed valuation results are as follows:

				Unit: RMB10,000
	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Suzhou Thermal Power	34,886.55	49,667.17	14,780.62	42.37

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According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The relevant asset valuation report is set out in Appendix II(iii) to this circular.

Intangible assets—land use rights had a more significant appreciation upon valuation. The main reason of appreciation was due to early acquisition of land and increase in land value in recent years. This valuation covered land use rights of one parcel of land within the scope of the present valuation, which was valued by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd.. The valuation of the properties in respect of which property ownership certificates are outstanding was primarily based on a replacement cost method. The conclusion of the valuation made reference to the valuation results of a land valuation report prepared by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd. under the same valuation Base Date, same valuation objective and same scope of valuation.

4. Dalongtan Hydropower

In accordance with the Asset Valuation Report Da Zheng Hai Di Ren Ping Bao Zi (2014) No. 219A issued by Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd., which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the asset-based approach and income-based approach for an overall valuation of Dalongtan Hydropower and, through analysis and comparison, has finally selected the results of asset-based approach as the final conclusion of the valuation. Detailed valuation results are as follows:

	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Dalongtan Hydropower	8,200.45	18,232.70	10,032.25	122.34

Unit:
RMB10,000

According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The relevant asset valuation report is set out in Appendix II(iv) to this circular.

Intangible assets—land use rights had a more significant appreciation upon valuation. The main reason of appreciation was due to early acquisition of land and increase in land value in recent years. This valuation covered land use rights of one parcel of land within the scope of the present valuation, which was valued by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd.. The valuation of the properties in respect of which property ownership certificates are outstanding was primarily based on a replacement cost method. The conclusion of the valuation made reference to the valuation results of a land valuation report prepared by Beijing Zhongdi Land and Real Estate Appraisal Co. Ltd. under the same valuation Base Date, same valuation objective and same scope of valuation.

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5. Hualiangting Hydropower

In accordance with the Asset Valuation Report Zhong Feng Ping Bao Zi (2014) No. 034-2 issued by Beijing Sinotop Appraisal Co., Ltd., which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the asset-based approach and income-based approach for an overall valuation of Hualiangting Hydropower and, through analysis and comparison, has finally selected the results of the asset-based approach as the final conclusion of the valuation. Detailed valuation results are as follows:

	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Unit: RMB10,000 Appreciation rate (%)
Hualiangting Hydropower	374.89	3,362.06	2,987.17	796.81

According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The relevant asset valuation report is set out in Appendix II(v) to this circular.

The reason for more significant appreciation upon valuation of fixed assets and construction-in-progress is that the enterprise made full impairment provision for fixed assets and construction-in-progress according to accounting standards. However, the impacts of factors including severe non-operating redundant staff on the valuation of fixed assets and construction-in-progress were unable to be reasonably judged as they cannot be reasonably quantified. As such, the present valuation adopted the reprovisioning cost method for the valuation of fixed assets and construction-in-progress based on the physical conditions of the assets. Given the scale of the hydropower infrastructure assets, the term of their operation and the steady revenue they may generate, the adoption of asset-based approach is considered to be more appropriate to reflect the value of the assets as at the Base Date.

6. Chaohu Power

In accordance with the Asset Valuation Report Zhong Feng Ping Bao Zi (2014) No. 034-1 issued by Beijing Sinotop Appraisal Co., Ltd., which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuer adopted the asset-based approach and income approach for an overall valuation of Chaohu Power with the major assumptions of going concern and open market. Through analysis and comparison and the fact that as at the Base Date, Chaohu Power's two sets of 600MW supercritical coal-fired generating units have a relatively higher income level as these generating units have large generation capacity, are of high efficiency with construction of flue gas desulfurization and denitration facilities and the technical and economic indicators of which are at a relatively advanced level. In addition, taking into account that recent transactions in the capital market with similar generation units, the revenue contribution and the

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relative competitiveness of these generation units in the Anhui region, the valuer has finally selected the results of the income approach which is considered to be more appropriate to reflect the value of Chaohu Power as at the Base Date. The details are as follows:

				Unit: RMB10,000
	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Chaohu Power	104,272.12	166,322.28	62,050.16	59.51

Note: The valuation of shareholders' total equity under the asset-based approach is RMB1,458,330,400.

Given the valuation of Chaohu Power was prepared based on income approach (discounted future cash flow method), such valuation is regarded as profit forecast (the "Profit Forecast of Chaohu Power") under Rule 14.61 of the Hong Kong Listing Rules and the requirements under Rules 14.62 and 14A.68(7) of the Hong Kong Listing Rules are applicable accordingly.

In accordance with Rule 14.62(2) of the Hong Kong Listing Rules, the Company has engaged its auditors, KPMG, to report on the calculations of the discounted future cash flows under the Profit Forecast of Chaohu Power. The report from KPMG for the purpose of Rule 14.62(2) of the Hong Kong Listing Rules on the Profit Forecast of Chaohu Power is set out in Appendix III to this circular. Also in accordance with Rule 14.62(3) of the Hong Kong Listing Rules, the Company has engaged the Financial Adviser to review the procedures undertaken by the Directors of the Company in preparing the forecast underlying the valuation prepared by the valuer of the Profit Forecast of Chaohu Power. The letter from the Financial Adviser for the purpose of Rule 14.62(3) of the Hong Kong Listing Rules on the Profit Forecast of Chaohu Power is set out in Appendix IV to this circular. The Financial Advisor is satisfied that the forecast has been made by the Board after due and careful enquiry.

To the best of the Directors' knowledge, having made all reasonable enquiries, the valuer of Chaohu Power, Beijing Sinotop Appraisal Co., Ltd., is a third party independent of the Company and its connected persons.

The principal assumptions of the Profit Forecast of Chaohu Power is set out below.

(1) Determination of income period

Chaohu Power is a coal-fired power plant established for a long period of time and has better business prospects. As at the valuation Base Date and date of issuance of the valuation report, there is no evidence demonstrating that Chaohu Power may cease to operate at any time in the future. It is concluded that the income period of Chaohu Power is determined to be indefinite and the forecast period is from June 2014 to 2019.

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(2) Income forecast

Main indicators involved in forecast of income of Chaohu Power are average utilization hours of power generating equipment, weighted house consumption rate, on-grid tariffs, etc. The valuer made final estimation on average utilization hours of power generating equipment by taking into consideration the competition disadvantages and advantages of Chaohu Power and average utilization hours in 2013 as well as Notice on Provincial Energy Conservation 2014 issued by Development and Reform Commission of Anhui Province and National Energy Administration and the future prospects of power market in Anhui province. Weighted house consumption rate is determined by considering the actual situation in 2013. On-grid tariffs are determined by standard tariffs from the valuation Base Date to the date of issuance of report.

(3) Estimation of operating costs

After dividing operating costs into different items including fuel cost, material cost, employees' salaries, depreciation cost, repair and maintenance cost, etc., estimations on cost items of Chaohu Power during the income period, such as fuel cost, are conducted by calculating historic power generation standard coal consumption rate and power generation standard coal price respectively, power generation standard coal consumption during the income period made reference to the indicator values in 2013 and January to May 2014, power generation standard coal price took into consideration the historic situation by referring to the power generation standard coal price from January to May 2014 and the 2014 financial planning indicators, and made estimation on the volatility of coal price and power generation standard coal price to finally calculate and determine the fuel cost during the income period; costs of material and water are calculated by referring to historic power generation unit cost of power generators; depreciation and manufacturing costs are determined by analysing the costs incurred during 2013 and from January to May 2014; salaries and benefits are based on the amount incurred in 2013, the estimation period is calculated by referring to changes in average salaries in the Anhui power industry and circumstances that occurred in past years in the Chaohu Power, and will remain unchanged after the estimation period; repair and maintenance costs are based on the enterprise's estimation on the facilities to be repaired, a long-term ongoing basis is applied to determine such costs after the estimation period.

(4) Calculation of discount rate

On the basis of estimating the free enterprise cash flow during the estimation period of the entities valued, comparable WACC is calculated, the detailed formula is as follows:

where, WACC – Weighted Average Cost of Capital;
KD – Cost of Interest-bearing Debts;
KE – Cost of Equity;
D – Value of Interest-bearing Debts;

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E – Value of Equity;

$V = D + E$;

T – Income Tax Rate of Entity Valued.

Calculation of WACC is made when: the ratios of Cost of Equity, Cost of Interest-bearing Debts and Interest-bearing Debts to Value of Equity are confirmed.

◆ Calculation of Cost of Equity (KE)

Calculation of Cost of Equity is made by using Capital and Asset Pricing Model (CAPM).

i.e. $KE = RF + \beta (RM - RF) + \epsilon$;

where, KE – Cost of Equity Capital;

RF – Risk-free Yield;

RM-RF – Equity Risk Premiums;

β – Beta;

ϵ – Enterprise-specific Risks.

✧ Determination of Risk-free Yield (RF)

Treasury bond yields are commonly deemed as risk-free, as there is minimal risk of failing to redeem upon maturity. Risk-free Yield is based on the average yield-to-maturity of 29 treasury bonds with a term of 20 years or longer and with years to maturity of 10 years or longer on the valuation Base Date (or recently).

✧ Calculation of Equity Risk Premiums

Equity Risk Premiums (ERP) reflect the risk compensation required by investors due to investing in capital markets with higher risks (compared to bond markets with lower risks). China is an emerging market, where the history of stock market development is relatively shorter and there is higher level of volatility. The valuation made use of the statistics and adjustment approach from Aswath Damodaran, a well-known financial expert in the U.S., to estimate ERP. The basic formula is:

$ERP = \text{Stock Risk Premiums in developed stock market} + \text{National Risk Compensation}$

Stock Risk Premiums in developed stock market are calculated by the difference between the arithmetic average income of U.S. stocks and treasuries from 1928 to 2013, which is 6.29%. Moreover, according to Moody's Investors Service, Chinese debts had a rating of Aa3 in 2013,

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which was 0.6% when converted into national default spread. Selected national risk compensation is 0.6%, therefore the value of ERP is $6.29\% + 0.60\% = 6.89\%$.

¶ Calculation of ¶;

¶; reflects the extent of same-direction change between a stock and the market, the calculation model for ¶; index is the market model:

$$R_i = \beta_i R_m + \alpha_i$$

In the market model, ¶; index is obtained through regression analysis between the rate of return of the market and the rate of return of the stock. In calculating the ¶; index of the entity to be valued, the ¶; index (excluding financial leverage) of the business sector to which the entity to be valued belongs is calculated on the basis of the ¶; index (including financial leverage) from Wind, an information platform, of the selected sample, and the ¶; index (including financial leverage) of the entity to be valued is calculated based on its capital structure.

Formulas to convert ¶; index (including financial leverage) and ¶; index (excluding financial leverage) are as follows:

$$\beta_U = \beta_L / [1 + (1 - T) \times D/E]$$

in which,

¶;L: Beta (including financial leverage);

¶;U: Beta (excluding financial leverage);

T: Income Tax Rate;

¶; Adjustments on enterprise-specific risks

As the sample listed companies selected have a different operating environment from the entities valued, adjustments on enterprise-specific risks are made by taking into account the operating risks of the entities to be valued simultaneously.

¶; Calculation of cost of equity capital

Cost of equity capital of the entity valued is calculated through the above calculations and according to $KE = RF + \beta \times (RM - RF) + \alpha$.

¶; Cost of interest-bearing debts

Cost of interest-bearing debts is determined in accordance with the amount of interest-bearing debts on the valuation Base Date of the entity valued.

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◆ Determination of Weighted Average Cost of Capital (WACC)

WACC is calculated by determining the above indices and in accordance with the formula

According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The relevant asset valuation report is set out in Appendix II(vi) to this circular.

7. Ruijin Power

In accordance with the Asset Valuation Report Zhong Tian Hua Zi Ping Bao Zi [2014] No. 1252 issued by China Appraisal Associates, which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the asset-based approach and income-based approach for an overall valuation of Ruijin Power and, through analysis and comparison, has finally selected the results of the asset-based approach as the final conclusion of the valuation. Detailed valuation results are as follows:

	Unit: RMB10,000			
	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Ruijin Power	25,372.03	34,055.28	8,683.25	34.22

The said Asset Valuation Report has been duly filed with relevant authorities for record in accordance with applicable laws. The valuation of the properties in respect of which property ownership certificates are outstanding was primarily based on a replacement cost method. The relevant asset valuation report is set out in Appendix II(vii) to this circular.

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8. Anyuan Power

In accordance with the Asset Valuation Report Zhong Tian Hua Zi Ping Bao Zi (2014) No. 1253 issued by China Appraisal Associates, which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the asset-based approach for an overall valuation of Anyuan Power. Detailed valuation results are as follows:

	Unit: RMB10,000			
	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Anyuan Power	(9,953.43)	(9,218.37)	735.06	7.38

According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The valuation of the properties in respect of which property ownership certificates are outstanding was primarily based on a replacement cost method. The relevant asset valuation report is set out in Appendix II(viii) to this circular.

9. Jingmen Thermal Power

In accordance with the Asset Valuation Report Da Zheng Hai Di Ren Ping Bao Zi (2014) No. 218A issued by Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd., which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the asset-based approach for an overall valuation of Jingmen Thermal Power. Detailed valuation results are as follows:

	Unit: RMB10,000			
	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Jingmen Thermal Power	38,752.35	38,902.84	150.49	0.39

According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The relevant asset valuation report is set out in Appendix II(ix) to this circular.

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10. Yingcheng Thermal Power

In accordance with the Asset Valuation Report Da Zheng Hai Di Ren Ping Bao Zi (2014) No. 217A issued by Beijing Golden Standard & Headmen Appraisal and Advisory Co., Ltd., which is qualified to practise securities and futures related businesses, with 31 May 2014 as the Base Date, the valuation is on the basis of an on-going concern with an open market, and the valuer adopted the asset-based approach for an overall valuation of Yingcheng Thermal Power. Detailed valuation results are as follows:

	Unit: RMB10,000			
	Book value of shareholders' total equity	Appraised value of shareholders' total equity	Difference	Appreciation rate (%)
Yingcheng Thermal	20,620.67	21,066.41	445.74	2.16

According to applicable laws, the said asset valuation report has been duly filed in compliance with state-owned asset appraisal procedure. The relevant asset valuation report is set out in Appendix II(x) to this circular.

H. VALUATION REPORTS

As at 31 May 2014, the aggregate book value of the properties owned by the Target Companies was less than 20% of the total assets of the Target Companies. To provide Shareholders with more information regarding the properties owned by the Target Companies, a property valuation report prepared by reference to the content requirements of Chapter 5 of the Hong Kong Listing Rules is set out in Appendix I to this circular.

The asset valuation report for each of the Target Companies is set out in Appendix II(i) to Appendix II(x) to this circular respectively. The relevant asset valuation reports are all prepared in accordance with to the relevant requirements of SASAC and the relevant PRC valuation standards.

I. OTHER FACTORS RELATING TO PRICING OF THE TRANSFERS

The pricing of the Transfers is determined by the parties through various rounds of negotiation by considering the production, operation and financial position, future planning for development and strategic synergy with the Company of each of the target assets, and based on comprehensive consideration of factors including:

- 1) analysis of the power generation industry in the PRC, including sector outlook, market dynamics and key players in each region;
- 2) the production, operation and financial position, future planning for development and strategic synergy with the Company of each of the target assets;

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- 3) the appraised value of each of the target assets;
- 4) both historical and recent trading multiples of publicly listed comparable market players including (i) 4 traditional major domestic power generation companies and (ii) 9 regional integrated power generation companies listed in China stock exchange markets in the China power generation industry. The basis of selection is mainly large scale companies with business presence all over the country, which are comparable with HPI and the target assets in term of scale in general. The relevant valuation bases are as follows: (i) the price to earnings ratio of the Transactions is lower than the average and the minimum price to earnings ratio of these 13 market players; (ii) the price to net asset value ratio of the Transactions is within the range but higher than the average of these 13 market players, because of the relatively higher financial leverage of the Target Companies, and as private companies, the Target Companies faced limited choices to finance their development and operation; and (iii) the market capitalization to generation capacity ratio of the Transactions is lower than the average and within the range of the 13 market players. The data source is Bloomberg and Wind; and
- 5) trading multiples of historical transactions since 2011 within the power generation industry, selected on the basis of criteria such as nature and size of the transactions, percentage of the equity interest being acquired or disposed of, and the geographical regions of the business operations, etc. The selected transactions include i) GD Power Development Co., Ltd.'s acquisition of 100% equity interests of GD Anhui Power Limited Liability Company, ii) Hebei Jointo Energy Investment Co., Ltd.'s acquisition of 100% equity interests of Xuanhua Power Limited Liability Company, 40% equity interests of Cangdong Power Limited Liability Company, and 14% equity interests of Sanhe Power Limited Liability Company, iii) SDIC Electric Power Co.'s acquisition of 61% equity interests of SDIC Qin Zhou Power Limited Liability Company, 17.47% equity interests of Jiangsu Ligang Power Limited Liability Company, and 9.17% equity interests of Jiangyin Ligang Power Limited Liability Company, etc. The relevant valuation bases are as follows: (i) the price to earnings ratio of the Transactions is lower than the average and the minimum price to earnings ratio of the selected comparable acquisitions; and (ii) the price to net asset value ratio of the Transactions is higher than the average but is within the range of the selected comparable acquisitions. The data source is the relevant stock exchange website, Bloomberg and Wind.

Taking into account the above pricing factors and relevant valuation, the Company is of the view that the consideration of the Transactions is fair and reasonable.

The final transaction consideration for acquiring the Hainan Power Interests, the Wuhan Power Interests, the Suzhou Thermal Power Interests, the Dalongtan Hydropower Interests and the Hualiangting Hydropower Interests was RMB7,337,647,400, and that for acquiring the Chaohu Power Interests, the Ruijin Power Interests, the Anyuan Power Interests, the Jingmen Thermal Power Interests and the Yingcheng Thermal Power Interests was RMB1,938,178,900.

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J. OTHER ARRANGEMENTS CONCERNING THE TRANSFERS

The Transfers do not involve the lease of land use rights. According to the arrangements contemplated under the relevant agreements, the parties have agreed that, unless otherwise agreed, the financings provided by Huaneng Group and HIPDC for the Target Companies and the guarantees provided by Huaneng Group and HIPDC for the financings of the Target Companies will remain in effect until the contracts that have been executed are completed.

The Company has been strictly separate from Huaneng Group and HIPDC in terms of assets and financial matters, and the Transfers will not cause any change to such status. Upon completion of the Transfers, no senior officer of any of the Target Companies will also take up managerial positions at Huaneng Group/HIPDC and the Company. The Company will further separate the Huaneng Group/HIPDC employees in the Target Companies from Huaneng Group/HIPDC as soon as possible after the completion of the Transfers in accordance with the provisions of applicable PRC laws, regulations and rules.

The Transfers help further reduce the potential competition between the Company and its connected persons relating to the business currently conducted by the existing power plants in line with the undertaking previously provided by Huaneng Group in favour of the Company on 17 September 2010 and its further clarification on 28 June 2014 (collectively, the “Non-compete Undertaking”). Pursuant to the Non-compete Undertaking and in support of the sustainable and stable development of the Company, Huaneng Group undertook to the Company that, among other things, it will inject into the Company such assets of which the profitability should have been improved and meet with the requirements for injecting into a listed company (such as those assets with clear title, the injection of which should not reduce the earnings per share of the Company, of no material non-compliance issues, with positive effect on preservation of and value appreciation of state-owned assets, and waiver of pre-emptive rights being obtained from other shareholders of the assets). The Company shall have a right of first refusal to acquire from Huaneng Group the newly developed, acquired or invested projects as engaged in the conventional energy business of Huaneng Group located in Shandong Province and the other non-listed conventional energy business assets of Huaneng Group located in other provincial administrative regions.

In conjunction with the actual market situation, the Target Companies are shortlisted after careful scrutiny and evaluation by the Company. Based on the reasons set out below, Huaneng Group/HIPDC and the Company believe that the Target Interests as a whole meet with the criteria for injecting into the Company under, and are consistent with the terms of, the Non-compete Undertaking. Detailed reasons are as follows:

- 1) The Target Companies are located in Eastern China, Southern China and Central China, with promising prospects for development. The Transfers will further consolidate the Company as the sole platform for integrating the conventional energy business of Huaneng Group;
- 2) Each of Huaneng Group and HIPDC has, among other things, (i) warranted to the Company that the ownerships of the Target Interests owned by them respectively is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstances that would prevent the transfer of ownership thereof; (ii) covenanted with the Company that any losses caused by any fine from competent authorities regarding the lands and properties of

LETTER FROM THE BOARD

which the ownership certificates had not been obtained would be promptly compensated in full by Huaneng Group or, as the case may be, HIPDC in respect of the relevant Target Company held by them;

- 3) The indemnity and compensation mechanism offered by Huaneng Group and HIPDC also function as a warranty for the title defects, dispute, litigation, arbitration ongoing or pending of the Target Companies;
- 4) Given that the Transfers do not involve any issuance of the Shares and that the Target Companies as a whole have positive income flow, hence the earnings per share of the Company following completion of the Transfers will not be diluted;
- 5) Asset-based approach has been adopted for evaluating all the Target Companies (except Chaohu Power) which reflects the prudent consideration of the parties on pricing a positive effect on preservation of and value appreciation of state-owned assets.

With respect to the Target Companies, two of which (namely, Jingmen Thermal Power and Yingcheng Thermal Power) were yet to generate revenue and there are three Target Companies (namely, Dalongtan Hydropower, Hualiangting Hydropower and Anyuan Power) which were loss making for the five months ended 31 May 2014. The Company has also taken into consideration the following:

- 1) Jingmen Thermal Power and Yingcheng Thermal Power are currently under construction. The Company expects that they will bring forward a positive cash inflow following their commencement of operation in 2015.
- 2) Anyuan Power is under transformation as its 125 MW and 135 MW thermal power units were closed down in compliance with the policy of closing smaller generation units and replaced with bigger and efficient ones while its two 600 MW domestic supercritical coal-fired generation units are being constructed. Following completion of the Transfer, the Company expects that it will bring forward a positive cash inflow following the commencement of operation of the generation units in or about February and April 2015.
- 3) The operation of Hualiangting Hydropower and Dalongtan Hydropower is largely driven and affected by the changes in climate. The Company expects that they would contribute positively in the revenue base and operational capacity by leveraging on the expertise in management and operation of the Company in power generation industry and the strong capital strength following completion of the Transfers.

The Non-compete Undertaking was provided specifically in line with the requirements under the “Regulatory Guidelines for Listed Companies No.4 – Undertakings and performance by Listed Companies and Listed Companies’ de facto Controllers, Shareholders, Related Parties and Acquirers” issued by China Securities Regulatory Commission. The Company’s PRC legal adviser, Haiwen & Partners, is of the view that the Transfers contemplated under the Transfer Agreements are consistent with the terms of the Non-compete Undertaking in all material respects.

LETTER FROM THE BOARD

K. PURPOSE OF THE TRANSFERS AND THE EFFECT ON THE COMPANY

The Transfers implement the Group's commitment to support the development of the Company, which is conducive to further expanding the scale, increasing the market share and improving the competitiveness of the Company. Following completion of the Transfers, the Company will be able to further expand its business scale and geographical coverage, increase profitability, and gain a foothold in the power generation markets in Hainan and Anhui.

The assets to be acquired by the Company under the Transfers are located in Eastern China, Southern China and Central China, with promising prospects for development; and the assets to be acquired include both projects that have been put into operation and construction-in-progress projects, which will effectively maintain the sustainable development capacity and profitability of the Company at the same time.

After the completion of the Transfers, the Company can increase total installed capacity of 7,087.5 MW, equity-based installed capacity of 5,737.7 MW, and 2,300 MW of capacity under construction, with total thermal power installed capacity of 6,968 MW; and total hydropower installed capacity of 150 MW and wind power installed capacity of 49.5 MW.

Calculated in accordance with the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, the total assets and total liabilities of the Target Companies of the Transfers amounted to RMB26,703,369,400 and RMB20,217,038,800 respectively as at 31 May 2014. From January to May 2014, the aggregate profit (after tax) of the Target Companies amounted to RMB886,281,900, the total profit (after tax) corresponding to the interest held by Huaneng Group amounted to RMB653,800,600, and the total profit (after tax) corresponding to the interest held by HIPDC amounted to RMB65,383,100. After the completion of the Transfers, the earnings of the Target Companies will change due to the actual market conditions.

If the financial statements of the Target Companies are prepared in accordance with the International Financial Reporting Standards, the depreciation and amortisation items in the financial statements will be different from those shown in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, and financial data including net profit attributable to shareholders of the Company will therefore be different.

L. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

Under the Hong Kong Listing Rules, the Transfers constitute discloseable and connected transactions of the Company. The aggregate amount of the Transfers is RMB9,275,826,300 pursuant to Rule 14A.81 of the Hong Kong Listing Rules. As the applicable percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the aggregate scale of the Transfers, is more than 5% but less than 25%, the Transfers are subject to the reporting, announcement, annual review requirement and shall comply with the Independent Shareholders' approval requirements set out in the Hong Kong Listing Rules.

The resolution relating to the Transfers was considered and approved at the second meeting of the eighth session of the Board of the Company convened on 13 October 2014. Messr. Cao Peixi, Guo Juming, Liu Guoyue, Li Shiqi, Huang Jian and Fang Xiaxia, all being Directors of the Company who are related to the Transfers, had abstained from voting on the resolution relating to the Transfers. The resolution was voted

LETTER FROM THE BOARD

on by Directors who are not related to the Transfers. The Directors (including the Independent non-executive Director) of the Company are of the view that the Transfer Agreements were entered into: (1) on normal commercial terms (on arm's length basis or on terms no less favourable to the Company than terms available from independent third parties); (2) on terms that are fair and reasonable and in the interest of the Company and its shareholders as a whole; and (3) in the ordinary and usual course of business of the Company.

M. EXTRAORDINARY GENERAL MEETING

Under the Hong Kong Listing Rules, the Transfers constitute disclosable and connected transactions of the Company. The aggregate amount of the Transfers is RMB9,275,826,300 pursuant to Rule 14A.81 of the Hong Kong Listing Rules. As the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the aggregate scale of the Transfers is more than 5% but less than 25%, the Transfers are disclosable and connected transactions subject to Independent Shareholders' approval. The Company will convene the EGM on 28 November 2014 to consider the approval of the Transfers (including the Transfer Agreements). The voting at such meeting will be taken on a poll and the Company will make an announcement of the poll results. Huaneng Group, HIPDC and their respective associates and shareholders who are involved in, or interested in the Transfers (holding an aggregate of 7,211,431,502 shares in the Company, representing approximately 51.31%(Note)of the total issued shares of the Company as at the Latest Practicable Date) will abstain from voting at the EGM in respect of the ordinary resolution to approve the Transfers (including the Transfer Agreements). The proposed resolution will be passed by way of ordinary resolution and voting will be taken by way of a poll in accordance with the requirements of the Hong Kong Listing Rules. The notice of EGM together with the reply slip and form of proxy had been sent to the Shareholders separately.

Whether or not you intend to attend the meeting in person, you are requested to complete and return the reply slip in accordance with the instructions printed thereon to the registered office of the Company at Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, PRC as soon as possible but in any event not later than 8 November 2014. The form of proxy should be completed and returned to the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M, Hopewell Centre, 183 Queen's Road East, Hong Kong or the registered office of the Company in accordance with the instructions printed thereon as soon as practicable and in any event by not later than 24 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

N. RECOMMENDATION FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders of the Company, which is set out on page 59 of this circular, and which contains their recommendation in respect of the Transfers and the Transfer Agreements.

Note: The percentage had not taken into account the changes in shareholding percentage(s) held by Huaneng Group, HIPDC and their respective associates following completion of placing of H shares of the Company (for details, please refer to the Company's announcement dated 6 November 2014).

LETTER FROM THE BOARD

The letter of advice from Guotai Junan to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Transfer Agreements and whether the Transfers and the Transfer Agreements are on normal commercial terms and in the interests of the Company and its shareholders as a whole is set out on pages 60 to 87 of this circular.

The Independent Board Committee, having taken into account the advice of Guotai Junan, considers that the terms of the Transfer Agreements are fair and reasonable so far as the Independent Shareholders are concerned and that the Transfers are on normal commercial terms and in the interests of the Company and its shareholders as a whole. Accordingly, it recommends that the Independent Shareholders vote in favour of the relevant resolutions to approve the Transfer Agreements and the transactions contemplated thereunder.

O. RECOMMENDATION FROM THE BOARD

The Directors (including independent non-executive Directors) are of the view that the Transfer Agreements were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (i.e. on arm's length basis on terms no less favourable to the Company than terms available from third parties); and (iii) on terms that are fair and reasonable and the Transfers are in the interests of the Company and its shareholders as a whole. The Board accordingly recommends the Shareholders to vote in favour of the relevant resolutions to approve the Transfer Agreements and the transactions contemplated thereunder.

P. OTHER INFORMATION

Your attention is drawn to the general information set out in the appendices to this circular.

Yours faithfully
By order of the Board
Huaneng Power International, Inc.
Cao Peixi
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

(Stock Code: 902)

Legal Address:
Huaneng Building
6 Fuxingmennei Street
Xicheng District
Beijing 100031
PRC
13 November 2014

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We, the Independent Board Committee of Huaneng Power International, Inc., are advising the Independent Shareholders in connection with the Transfers (and the Transfer Agreements), details of which are set out in the letter from the Board contained in the circular (“Circular”) of the Company to the Shareholders dated 13 November 2014, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Under the Hong Kong Listing Rules, the transactions contemplated under the Transfer Agreements constitute discloseable and connected transactions of the Company. Accordingly, the conduct of transactions contemplated under the Transfer Agreements will require the approval of the Independent Shareholders at the EGM.

We wish to draw your attention to the letter of advice from Guotai Junan set out on pages 60 to 87 of the Circular. We have discussed the letter and the opinion contained therein with Guotai Junan.

Having considered, inter alia, the factors and reasons considered by and the opinion of Guotai Junan as stated in its aforementioned letter, we consider the terms of the Transfer Agreements to be fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that the Transfers are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolution as set out in the Notice of EGM to be proposed at the EGM to be held on 28 November 2014 to approve the Transfer Agreements and the transactions contemplated thereunder.

Yours faithfully,
Li Zhensheng Qi Yudong Zhang Shouwen Yue Heng Zhang Lizi
Independent Directors

LETTER FROM GUOTAI JUNAN

The following is the text of the letter of advice from Guotai Junan Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in relation to the connected transaction regarding the Transactions under the Transfer Agreements, which has been prepared for the purpose of inclusion in this circular.

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

13 November 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS
REGARDING THE ACQUISITIONS OF EQUITY INTERESTS
IN THE TARGET COMPANIES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the acquisition by the Company of (i) 91.8% of the equity interest in Hainan Power, 75% of the equity interest in Wuhan Power, 53.45% of the equity interest in Suzhou Thermal Power, 97% of the equity interest in Dalongtan Hydropower and 100% of the equity interest in Hualiangting Hydropower from Huaneng Group; and (ii) acquisition of 60% of the equity interest in Chaohu Power, 100% of the equity interest in Ruijin Power, 100% of the equity interest in Anyuan Power, 100% of the equity interest in Jingmen Thermal Power and 100% of the equity interest in Yingcheng Thermal Power from HIPDC (collectively the "Transactions") pursuant to the corresponding transfer agreements signed between the Company and its subsidiaries (collectively the "Group"), Huaneng Group and HIPDC, respectively (collectively the "Transfer Agreements"). Details of the Transfer Agreements and the Transactions contemplated thereunder are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 13 November 2014 (the "Circular") of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, the Company entered into Transfer Agreements and the Transactions contemplated with Huaneng Group and HIPDC on 13 October 2014. The Transfer Agreements set out, among others, the terms of the Transactions at an aggregate consideration of RMB9.3 billion. The consideration of the Transactions will be satisfied by the payment of cash from the internal resources of the Company.

As at the Latest Practicable Date, HIPDC, being the direct controlling shareholder of the Company, holds 36.05% of the total equity interests in the Company, while Huaneng Group holds a 51.98% direct equity interests and a 5% indirect equity interests in HIPDC. In addition, Huaneng Group holds a 11.06%

LETTER FROM GUOTAI JUNAN

direct equity interests in the Company, a 3.36% indirect equity interests in the Company through China Hua Neng Group Hong Kong Limited (“Huaneng HK”) (a wholly-owned subsidiary of Huaneng Group), a 0.04% indirect equity interests in the Company through Huaneng Capital Services Company Limited (a wholly-owned subsidiary of Huaneng Group) and a 0.79% indirect equity interests in the Company through China Huaneng Finance Corporation Limited (a controlling subsidiary of Huaneng Group). As such, HIPDC is the direct controlling shareholder of the Company. In accordance with the Listing Rules, Huaneng Group, HIPDC and their associates are connected persons of the Company and the entering into of the Transfer Agreements and the Transactions contemplated thereunder constitute connected transactions of the Company.

In accordance with Rule 14A.81 of the Listing Rules, the considerations of the Transactions will be aggregated as if they were one transaction and the aggregated considerations will be RMB9.3 billion, which consists of (i) approximately RMB7.34 billion to Huaneng Group for Huaneng Group Interests Transfer Agreement; (ii) approximately RMB0.94 billion to HIPDC for HIPDC Interests Transfer Agreement; and (iii) approximately RMB1.00 billion to HIPDC for Chaohu Power Interests Transfer Agreement. Pursuant to Rule 14.07 of the Listing Rules, as the relevant applicable percentage ratio exceed 5% but are less than 25%, such transactions are therefore subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Huaneng Group and its associates (holding an aggregate of approximately 51.31% of the total issue shares of the Company) will abstain from voting at the EGM in the resolution with respect to the conduct of the connected transactions contemplated under the Transfer Agreements.

The Independent Board Committee comprising all of the five independent non-executive Directors, namely Mr. Li Zhensheng, Mr. Qi Yudong, Mr. Zhang Shouwen, Mr. Yue Heng and Ms. Zhang Lizi, has been established to consider the terms of the Transactions and to make recommendation to the Independent Shareholders as regards voting. We, Guotai Junan Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, Huaneng Group and HIPDC or, where applicable any of their respective associates. We are independent from and not connected with the Group, Huaneng Group and HIPDC or, where applicable any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Transactions.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have reviewed, among others, (i) the Transfer Agreements; (ii) the interim report of the Company for the six months period ended 30 June 2014 as published at 18 August 2014 (the “Interim Report 2014”); (iii) the annual report of the Company for the year ended 31 December

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2013 as published at 22 April 2014 (the “Annual Report 2013”); (iv) the annual report of the Company for the year ended 31 December 2012 as published at 22 April 2013 (the “Annual Report 2012”); and (v) the information prepared by the Company in relation to the Transactions.

We have relied on the statements, information, opinions and representations expressed to us by the Directors and the management of the Company. We have assumed that all such statements, information, opinions and representations expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the Latest Practicable Date. We have also assumed that all the opinions and representations have been reasonably made by the Directors and the management of the Company after due and careful enquiry. We have also sought and obtained confirmation from the Directors and the management of the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truthfulness or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

Our opinion is necessarily based upon the market, economic and other conditions that is related to the Transactions as they existed and could be evaluated on, and the information publicly available to us as of the Latest Practicable Date. We have no obligation to update this opinion to take into account events occurring after this opinion is delivered to the Independent Board Committee. It should be understood that subsequent developments or changes could occur that, if known at the time we rendered our opinion, could have affected or altered our opinion. We assume no responsibility or liability under such circumstances.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Transactions are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

Background of the Company, Huaneng Group and HIPDC

Overview of existing businesses

The Company and its subsidiaries mainly develop, construct, operate and manage large-scale power plants in China. It is one of the largest listed power producers in China, as stated in the Letter from the Board, with a controlled capacity of 66,888 MW as at 30 September 2014.

Huaneng Group is principally engaged in the operation and management of industrial investments; the development, investment, construction, operation and management of power sources; the organization of the generation and sale of (thermal) power; and the development, investment, construction, production and sale of products in relation to energy, transportation, new energy and environmental protection industries.

HIPDC is a Sino-foreign equity joint venture approved by the State Council to develop, construct and operate power plants across the nation.

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Financial information of the Group

Set out below is a summary of the audited financial statements of the Group for the two years ended 31 December 2012 and 2013 extracted from the Annual Report 2012 and the Annual Report 2013; and the unaudited financial information of the Group (prepared in accordance with International Financial Reporting Standards (“IFRS”)) for the six months ended 30 June 2013 and 2014 extracted from the Interim Report 2013 and 2014.

	For the year ended 31 December		For the six months ended 30 June	
	2012 RMB'000 (audited)	2013 RMB'000 (audited)	2013 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Operating revenue	133,966,659	133,832,875	64,062,329	64,605,521
Profit from operations	16,956,940	24,111,039	12,315,318	14,417,919
Net profit	6,366,415	12,900,018	6,760,681	8,421,315

For the year ended 31 December 2012, the operating revenue of the Group amounted to RMB133.97 billion, representing an increase of 0.4% from RMB133.42 billion in the prior year. In accordance with the Annual Report 2012, the increase in operating revenue was mainly due to the increase in the operating revenue from the power plants in China upon the rise in the average electricity tariff rate during 2012. The profit from operations amounted to RMB16.96 billion, representing an increase of 93.8% from RMB8.75 billion in the prior year. According to the Annual Report 2012, the increase in profit from operations was mainly due to the reduced market price of coal in the PRC and effective cost controls of the Group. As a result of the foregoing, net profit of the Group amounted to RMB6.37 billion, representing an increase of 439.8% with RMB5.19 billion compared with RMB1.18 billion in the prior year.

For the year ended 31 December 2013, the operating revenue of the Group amounted to RMB133.83 billion, representing a decrease of 0.1% from RMB133.97 billion in the prior year. In accordance with the Annual Report 2013, the decrease in operating revenue was mainly due to the decrease in the operating revenue in Singapore as a result of the intensified competition in the power generation market in Singapore with growing of newly commissioned power plants, and partial offset by the increase in operating revenue from the PRC operations as a result of the Group business expansion during the year ended 31 December 2013. The profit from operations amounted to RMB24.11 billion, representing an increase of 42.2% from RMB16.96 billion in the prior year. According to the Annual Report 2013, the increase in profit from operations was mainly due to the reduced market price of coal in China and the decline in power generation in Singapore. As a result of the foregoing, net profit of the Group amounted to RMB12.90 billion, representing an increase of 102.5% with RMB6.53 billion compared with RMB6.37 billion in the prior year.

For the six months ended 30 June 2014, the operating revenue of the Group amounted to RMB64.61 billion, representing an increase of 0.9% from RMB64.06 billion for the corresponding period in prior year. In accordance with the Interim Report 2014, the increase in operating revenue was mainly due to the increase in operating revenue from the China operations as a result of the increase in the Group power generation during the six months ended 30 June 2014. The profit from operations amounted to RMB14.42 billion, representing an increase of 17.1% from RMB12.32 billion for the same period in the prior year.

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According to the Interim Report 2014, the increase in profit from operations was mainly due to the reduced market price of coal in China. As a result of the foregoing, net profit of the Group amounted to RMB8.42 billion, representing an increase of 24.6% with RMB1.66 billion compared with RMB6.76 billion for the same period in the prior year.

	As at 31 December		As at 30 June
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Current assets	36,086,261	34,186,911	34,837,631
Current liabilities	93,594,320	98,978,845	102,319,640
Net current liabilities	(57,508,059)	(64,791,934)	(67,482,009)
Total assets	259,100,372	262,232,760	265,576,860
Total liabilities	193,140,030	187,039,786	186,883,252
Capital and reserves attributable to equity holders of the Company	56,130,134	62,450,665	64,368,873

As illustrated in the table above, the Group had recorded net current liabilities as at 31 December 2012 and 2013, and 30 June 2014. Based on the Interim Report 2014, the Group had short-term loans, short-term bonds and current portion of long-term loans and bonds of approximately RMB72.35 billion, representing approximately 70.7% of the current liabilities, as at 30 June 2014. Since a portion of the Group funding requirements for capital expenditures were partially satisfied by short-term financing, the Group had net current liabilities as at 30 June 2014. Taking into consideration of the expected operating cash flows of the Group and the undrawn available banking facilities, the Group are expected to refinance and also consider alternative sources of financing, where applicable and when needed. Therefore, the directors of the Company are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and accordingly, the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 are prepared on a going concern basis.

The total assets had increased steadily over the year ended 31 December 2013 and the six months ended 30 June 2014, which was mainly attributable to the increase in capital expenditure of the Group on construction projects and investment in associates. As a result of the foregoing, the capital and reserves attributable to equity owners of the Company showed steady growth over the year ended 31 December 2013 and the six months ended 30 June 2014.

Overview of the overall power industry in China

According to the Interim Report 2014, for the first half of 2014, under the uncertainty in the global economy recovery and the significant downward pressure over the China economy, the Chinese government intensified efforts to support the real economy and launched a series of targeted “minimal stimulus” policies. Despite the steadily growing economy under the influence of the “minimal stimulus” policies, the nationwide power consumption will continue to grow at low or medium speed due to the adjustment of the State’s industrial structures, the efforts in air pollution prevention, energy saving and environmental protection, etc.

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Meanwhile, in order to promote the environmental protection and efficient use of energy, Chinese government implemented policies to encourage the development of renewable energy sources. Pursuant to the China 12th Five-Year Plan on energy development, it is expected to increase the proportion of renewable energy in the fuel consumption composition. And in January 2014, National Energy Administration (“國家能源局”) of China issued Guidance on Energy Work 2014 (“2014年能源 作指 導意見”) that instructed orderly development of various renewable power sources, including hydropower, wind power and solar power. Series of policies predict that China renewable energy industry will develop steadily.

In addition, pursuant to the announcement made by the Company dated 18 September 2014 in relation to the adjustment of on-grid coal-fired tariffs to further resolve the tariffs conflict in terms of environmental protection, the Company received the Notice from the National Development and Reform Commission regarding the adjustment of the on-grid coal-fired tariffs of the Company’s domestic power plants in relevant provinces ranging from RMB4 to RMB31.7 per MWh. The above mentioned tariff adjustments are applicable to the power enterprises in China and have been effective since 1 September 2014. Following the adjustment of the on-grid tariffs and based on the estimation of the weighted average electricity sold with the adjusted tariffs of the Company’s power plants, the average on-grid tariffs of the Company is expected to be reduced by RMB9.44/MWh.

We further refer to the forecast conducted by China Electricity Council (“中國 企 聯合會”), China national electricity power consumption will increase by approximately 6% in 2014, which will be slightly lower than the growth rate in 2013 of 7.5%.

Regarding the composition of primary energy consumption in China, in accordance with the BP Statistical Review of World Energy 2014, coal represents the primary power source with approximately 67% of the China power consumption in 2013, while the renewable sources (including the hydropower) takes only around 9% of the total consumption.

Composition of primary energy consumption in China 2013

Source:BP Statistical Review of World Energy 2014

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In summary, as discussed in the previous paragraph, given the average on-grid tariffs of the Company is expected to encounter a slight decreasing trend, the demand for electricity in China is expected to grow steadily. The coal-fired electricity power generation is still the primary power source in the power industry. The power industry is expected to grow in a stable and sustainable manner with increasing proportion of electricity generated from renewable power sources.

THE TRANSACTIONS

Background of the Target Companies

Financial information of the Target Companies

Set out below is a summary of the audited financial statements of the Target Companies, based on the section headed “Summary of financial information of the Target Companies”, in this circular for the year ended 31 December 2013 and five months ended 31 May 2014 prepared under Accounting Standards for Business Enterprises (the “PRC GAAP”), differ in certain respects from that of IFRS). Major impact of adjustments for IFRS, on the net profit attributable to shareholders of the Company would be the accounting treatments of the depreciation and amortisation charges on the items on the financial statements of the Target Companies.

a) Comprehensive Income

For the year ended 31 December 2013

T a r g e t Companies	H a i n a n Power2 RMB'000 (audited)	W u h a n Power1 RMB'000 (audited)	S u z h o u					T a r g e t Companies RMB'000 (audited)	H a i n a n Power1 RMB'000 (audited)	W u h a n Power1 RMB'000 (audited)
			Thermal Power1 RMB'000 (audited)	Dalongtan Hydropower RMB'000 (audited)	Hualiang Hydropower RMB'000 (audited)	Chaohu Power1 RMB'000 (audited)	Ruijin RMB'000 (audited)			
Operating revenue	6,267,385	4,492,903	484,546	36,510	23,232	2,560,312	1,352,184	468,248	–	–
Net profits (losses)	828,850	788,747	47,807	41,305	(437)	237,233	84,306	(92,250)	–	–
Net profits (losses) less non-recurring gains / losses	914,625	799,504	47,303	41,223	(478)	275,846	97,084	(90,632)	–	–

For the five months ended 31 May 2014

T a r g e t Companies	H a i n a n Power2 RMB'000 (audited)	W u h a n Power1 RMB'000 (audited)	S u z h o u					T a r g e t Companies RMB'000 (audited)	H a i n a n Power1 RMB'000 (audited)	W u h a n Power1 RMB'000 (audited)
			Thermal Power1 RMB'000 (audited)	Dalongtan Hydropower RMB'000 (audited)	Hualiang Hydropower RMB'000 (audited)	Chaohu Power1 RMB'000 (audited)	Ruijin RMB'000 (audited)			
	2,729,465	1,756,223	202,032	14,484	6,376	982,999	536,846	76,176	–	–

Operating revenue										
Net profits (losses)	519,542	269,303	25,562	(8,953)	(30,094)	113,849	44,595	(47,521)	-	-
Net profits (losses) less non-recurring gains / losses	520,932	268,237	25,978	(8,953)	(31,658)	134,404	44,159	(44,101)	-	-

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b) Balance Sheet

As at 31 December 2013

T a r g e t Companies	H a i n a n	W u h a n	Suzhou				Ruijin	T a r g e t	H a i n a n	W u h a n
	Power2	Power1	Thermal Power1	Dalongtan Hydropower	Hualiangting Hydropower	Chao hu Power1		Companies	Power2	Power1
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Total assets	9,391,758	5,398,955	704,224	337,299	78,090	3,111,665	2,409,471	1,806,520	1,370,660	722,000
T o t a l liabilities	7,130,730	4,189,347	380,921	244,763	44,232	2,182,793	2,200,345	1,932,733	1,179,407	580,000
Net assets (liabilities)	2,261,028	1,209,608	323,303	92,536	33,858	928,872	209,126	(126,213)	191,253	141,900

As at 31 May 2014

T a r g e t Companies	H a i n a n	W u h a n	Suzhou				Ruijin	T a r g e t	H a i n a n	W u h a n
	Power2	Power1	Thermal Power1	Dalongtan Hydropower	Hualiangting Hydropower	Chao hu Power1		Companies	Power2	Power1
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Total assets	9,839,802	5,088,314	617,461	332,593	45,910	3,029,763	2,462,091	2,344,910	1,797,920	1,797,000
T o t a l liabilities	7,059,232	3,609,403	268,595	249,010	42,147	1,987,041	2,208,371	2,444,445	1,410,397	1,410,000
Net assets (liabilities)	2,780,570	1,478,911	348,866	83,583	3,763	1,042,722	253,720	(99,535)	387,523	387,000

Note:

1. Extracted from financial statements audited by KPMG Huazhen (Special General Partnership) (prepared in accordance with the PRC GAAP).
2. Extracted from financial statements audited by PricewaterhouseCoopers Zhong Tian LLP (prepared in accordance with the PRC GAAP).

Power generation capacity on equity basis of the Target Companies

Details of each of the power plant of Target Companies in operation and 3 power plants of the Target Companies under constructions as at the Latest Practicable Date are summarised in the following table:

Target Companies	Hainan Power	Wuhan Power	Suzhou Thermal Power	Dalongtan Hydropower	Hualiangting Hydropower	Chao hu Power	Ruijin Power	Anyuan Power (under construction)	Jingmen Thermal Power (under	Yingcheng Thermal Power (under
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	MW	MW	MW	MW	MW	MW	MW	construction)	construction)	MW
Coal-fired	2,144	1,800	64	–	–	720	700	1,200	700	400
Hydro	73	–	–	29	40	–	–	–	–	–
Wind	45	–	–	–	–	–	–	–	–	–
Others	121	–	–	–	–	–	–	–	–	–
Total	2,383	1,800	64	29	40	720	700	1,200	700	400

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Further details of the Target Companies are set out in the section headed “E. Information regarding the Target Companies” in the Letter from the Board contained in the Circular.

Basis of consideration for the Transactions

As stated in the Letter from the Board contained in the Circular, the consideration of the Transactions shall be RMB9.3 billion which will be satisfied by the payment of cash from the internal resources of the Company on completion. The consideration of the Transactions has been determined on normal commercial terms and arrived after various rounds of arm’s length negotiations between the Company, Huaneng Group and HIPDC, respectively. In addition, the consideration of the Transactions takes into account, amongst other things, (i) analysis of the power generation industry in the PRC, including sector outlook, market dynamics and key players in each region; (ii) the production, operating and financial position of the underlying assets of the Target Companies as detailed in the section headed “Financial information of the Target Companies”; (iii) future planning for development; (iv) the strategic synergy with the Company of each of the target assets; (v) the appraised value of each of the target assets; (vi) both historical and recent trading multiples of public listed comparable market players including (a) 4 traditional major nationwide and (b) 9 regional integrated power generation companies listed in China stock exchange markets in the China power generation industry; and (vii) trading multiples of historical transactions since 2011 within the power generation industry, with selected basis after considering multiple factors such as nature and size of the transactions, percentage of the equity interest being acquired or disposed of, and the geographical regions of the businesses operations, etc.

For the detailed analysis of the basis of consideration, we will further elaborate in the sections headed “Reasons for and benefits of the Transactions” and “Analysis of the Transactions” in this letter.

In order to assess the fairness and reasonableness of the analyses for the consideration of the Transactions considered by the Company, we have discussed and reviewed the basis of analyses of other public listed comparable market players and historical transactions within the power generation industry with the management of the Company. The data are sourced from relevant stock exchange websites, Bloomberg and Wind. We are of the view that the data sources are appropriate for the analysis for the consideration of the Transactions.

Regarding the analysis of other public listed comparable market players, the selection basis would be mainly large scale companies with business presence all over China, which are more comparable with the Group and Target Companies as a whole. The relevant valuation level would be (i) the price to earnings ratio of the Transactions is lower than the average and the minimum price to earnings ratio of these 13 market players; (ii) the price to net asset value ratio of the Transactions is within the range but higher than the average of these 13 market players; and (iii) the market capitalization to generation capacity ratio of the Transactions is lower than the average and within the range of the 13 market players. We are of the view that the comparable companies selected are appropriate for the analysis for the consideration of the Transactions. We noted that the analysis considers trading multiples, including price to earnings ratio, price to net asset value ratio and market capitalisation to generation capacity ratio, of (i) 4 traditional major nationwide and (ii) 9 regional integrated power generation companies listed in China stock exchange markets in the China power generation industry.

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As noted in the analysis for the 4 traditional major nationwide and the 9 regional integrated power generation companies considered by the Company, (i) the price to earnings ratio of the Transactions is lower than the average and the minimum price to earnings ratio of these 13 market players; (ii) the price to net asset value ratio of the Transactions is within the range but higher than the average of these 13 market players, it is because of the relatively higher financial leverage of the Target Companies, as private companies, the Target Companies faced limited choices to finance its development and operation; and (iii) the market capitalisation to generation capacity ratio of the Transactions is lower than the average and within the range of the 13 market players.

Regarding the historical transactions within the power generation industry, we noted that the analysis considers trading multiples, including price to earnings and price to net asset value ratio, of acquisitions of comparable power plants by companies listed in the China stock exchange markets as announced in the past 3 years from 2011 with completed disclosure of transaction information. We are of the view that the comparable transactions selected are appropriate for the analysis for the consideration of the Transactions.

As noted in the analysis for domestic acquisitions of comparable power plants by the companies listed in the China stock exchange markets announced in the past 3 years from 2011 considered by the Company, (i) the price to earnings ratio of the Transactions is lower than the average and the minimum price to earnings ratio of the selected comparable acquisitions; and (ii) the price to net asset value ratio of the Transactions is higher than the average but is within the range of the selected comparable acquisitions. It is because as disclosed in the Letter from the Board, three of the Target Companies, namely Anyuan Power, Jingmen Thermal Power and Yingcheng Thermal Power, are still under construction and as private companies, these three of the Target Companies faced limited choices to finance the construction. Thus, it led to a relatively higher financial leverage of the Target Companies.

Taking into account the above results of the analyses considered by the Company, we are of the view that the analysis for the consideration of the Transactions to be fair and reasonable.

Settlement method

Pursuant to Transfer Agreements, the consideration for the Transactions amounts to RMB9.276 billion and shall be satisfied by internal cash in the following manner:

- (a) 50% of the consideration, being RMB4.638 billion shall be paid by the Company to Huaneng Group and HIPDC with 5 business days after the date of completion of the Transactions;
- (b) 20% of the consideration, being RMB1.855 billion shall be paid by the Company to Huaneng Group and HIPDC within 3 months after the date of completion of the Transactions;
- (c) 30% of the consideration, being RMB2.783 billion shall be paid by the Company to Huaneng Group and HIPDC within 6 months after the date of completion of the Transactions;

In order to assess whether the Company has sufficient cash flow to settle the consideration of the Transactions within 6 months after the date of completion of the Transactions, we have taken into consideration of the liquidity of the Company and made reference to the cash and cash equivalents as at 30 June 2014 set out in the Interim Report 2014. We noted that the balance of cash and cash equivalents as

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at 30 June 2014 was approximately RMB11.66 billion which had an increase of approximately RMB2.32 billion as compared with its balance as at 1 January 2014. Based on the current available information disclosed in the Interim Report 2014 and as advised by the Company that it has sufficient cash flow to settle the consideration of the Transactions within 6 months after the date of completion of the Transactions.

Conditions precedent and terms of the Transfer Agreements

As stated in the Letter from the Board contained in the Circular, completion upon satisfaction of certain conditions precedent on or before 1 January 2015 or a later date as agreed between parties, inter alia, the passing of an ordinary resolution by the Independent Shareholders approving the discloseable and connected transactions contemplated under the Transfer Agreements.

Among other things, as disclosed in the Letter from the Board, pursuant to Huaneng Group Interests Transfer Agreement and Chaohu Power Interests Transfer Agreement, and in accordance with PRC Company Law and the relevant articles of association, if a shareholder of a limited liability company (in this case, Huaneng Group and HIPDC, respectively) intends to transfer its equity interests to a party who is not an existing shareholder (in this case, the Company), it shall inform the other shareholder(s) of the proposed equity transfer in writing and seek their consent to the transfer. The Huaneng Group Interests Transfer Agreement and Chaohu Power Interests Transfer Agreement provide that, among other things, the obtaining of material third party consents is required for relevant Transfers and serves as a condition precedent to completion. As at the Latest Practicable Date, as disclosed in the Letter from the Board, consents to the equity transfer of the relevant Target Companies from minority shareholder(s) of each of Wuhan Power, Suzhou Thermal Power, Dalongtan Hydropower and Chaohu Power have been obtained.

In particular, we would like to highlight that Huaneng Group would promptly and fully indemnify the Company for the losses it incurs in accordance with the Transfer Agreements after Hainan Power pays the damages or costs as required caused by as at the Latest Practicable Date, several litigations or arbitrations ongoing or pending by or against Hainan Power, details of which are set out in the section headed “E. Information regarding the Target Companies – 1. Hainan Power” of the Letter from the Board.

As stated in the Letter from the Board, the Transfer Agreement provides that if provision for the loss in relation to the lawsuits (“Provisioned Amount”) has been made in the accounts of Hainan Power, payment shall be made by Huaneng Group when the actual compensation or payment amount (“Actual Compensation Amount”) made by Hainan Power exceeds the Provisioned Amount, and when calculating the loss incurred by the Company as a result of such lawsuits, it shall be equal to the formula (Actual Compensation Amount - Provision Amount). If the Actual Compensation Amount payable by Hainan Power is less than the Provisioned Amount, the Company shall pay the relevant difference to Huaneng Group, such difference shall be equal to the formula (Provisioned Amount – Actual Compensation Amount) × 91.8% (i.e. the shareholding ratio of Huaneng Group in Hainan Power).

Besides, in respect of the potential penalty in relation to relevant environmental authority caused by Hainan Power, Huaneng Group also warranted with the Company that Hainan Power is not in breach of the applicable law, rule or regulation (including environmental laws) in material aspects nor has it received any notice or claims (which has a significant adverse effect on Hainan Power) of its breach of the relevant law,

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rule or regulation. In the event of breach of the above warranty, the Company shall be entitled to serve notice on Huaneng Group pursuant to the agreement for compensation of any loss and expenses the Company may incur as a result.

Both Huaneng Group and HIPDC warrant that the ownerships of the Target Companies owned by them respectively are clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstance that would prevent the transfer of the ownerships thereof, and that such ownerships are not the subject of any dispute, litigation, arbitration or other legal proceedings. Both Huaneng Group and HIPDC undertake the Company to obtain all relevant title certificates that currently outstanding or have not obtained or renewed or re-registered (including but not limited to State-owned Land and Building Ownership Certificates, State-owned Land Use Rights Certificates, Business Licenses, and other certificates that the Target Companies may require for conducting its principal business activities) in order to enable the respective Target Companies to operate and generate income without any legal impediment. Any losses caused by the aforesaid legal impediment would be promptly and fully indemnified by Huaneng Group or HIPDC in respect of the relevant Target Company held by them before the Transactions.

In addition, we have made reference to the legal opinion given by the Company's PRC legal advisers, Haiwen & Partners concerning the validity of the property interests held by the Target Companies in the PRC, it stated that given the current status of property interests held by the Target Companies, the property ownership defects mentioned in the section headed "E. Information regarding the Target Companies" will not cause material adverse effect to the Transfer and the normal operation of business of each of the respective Target Companies after the Transfer.

Based on the above mentioned compensation mechanisms for the Transactions, in particular, inside the compensation mechanism for Hainan Power Interest, we noted that in the case of the Provisioned Amount is underprovided, Huaneng Group shall pay for the entire sum of the loss incurred by the Company whilst in the case of the Provisioned Amount is over-provided, the Company shall pay the difference times 91.8% which is equal to Hainan Power Interests beneficial to the Group, and after discussion with the Company's PRC legal advisers, Haiwen & Partners, we are of the view that the above compensation mechanisms are appropriate.

We have relied to a considerable extent on the information provided by the Group and the PRC legal opinion provided by the PRC legal adviser, Haiwen & Partners, on the PRC Law regarding the property interests located in the PRC. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liabilities attached to the property interests held by the Target Companies in the PRC. We have also not scrutinized the relevant original documents to verify the content of the legal opinion supplied to us.

We have reviewed and discussed the legal opinion with Haiwen & Partners, we have also performed all steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) in relation to the legal opinion given by Haiwen & Partners. Save as disclosed in the Letter from the Board and Appendix I of the Circular, no other material legal issue of Target Companies was noted.

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Reasons for and benefits of the Transactions

As stated in the Letter from the Board contained in the Circular, the Transactions represent a real action to put into practice Huaneng Group's undertaking to use the Company as the only platform for the ultimate integration of its conventional energy business operations and will enable the Company to optimise its generation assets structure. The Transactions are extension of the Company's strategy of laying equal stress on development and acquisition.

Perfection of undertaking for avoidance of business competition provided by Huaneng Group

We have made reference to the announcement made by the Company dated 28 June 2014 in relation to the undertaking previously provided by Huaneng Group in favour of the Company on 17 September 2010 and its further clarification (collectively, the "Non-compete Undertaking") in support of the sustainable and stable development of the Company. Huaneng Group also undertakes that, among other things, it will, by the end of 2016, inject into the Company such assets of which the profitability should have been improved and meet with the requirements for injecting into a listed company (such as those assets with clear titles, the injection of which should not reduce the earnings per share of the Company, of no material non-compliance issues, with positive effect on preservation of and value appreciation of state-owned assets, and waiver of pre-emptive rights being obtained from other shareholders of the assets). It further disclosed that the Company shall have a right of first refusal to acquire from Huaneng Group the newly developed, acquired or invested projects as engaged in the conventional energy business of Huaneng Group located in Shandong Province and with respect to the other non-listed conventional energy business assets of Huaneng Group located in other provincial administrative regions.

As stated in the Letter from the Board, in conjunction with the actual market situation, the Target Companies are shortlisted after careful scrutiny and evaluation by the Company. Based on the reasons set out below, Huaneng Group/HIPDC and the Company believed that the Transactions in whole meet with the criteria for injecting into the Company under, and are consistent with the terms of, the Non-compete Undertaking. Detailed reasons are as follows:

- 1) The Target Companies are located in Eastern China, Southern China and Central China, with promising prospects for development. The Transactions will further consolidate the Company as the sole platform for integrating the conventional energy business of Huaneng Group.
- 2) Each of Huaneng Group and HIPDC has, among other things, (i) warranted to the Company that the ownerships of the Target Companies owned by them respectively is clearly defined and is not subject to any mortgage, pledge, lien, third party interest or any other circumstances that would prevent the transfer of ownership thereof; (ii) covenanted with the Company that any losses caused by any fine from competent authorities regarding the lands and properties of which the ownership certificates had not been obtained would be promptly compensated in full by Huaneng Group or, as the case may be, HIPDC in respect of the relevant Target Company held by them.
- 3) The indemnity and compensation mechanism offered by Huaneng Group and HIPDC also function as a warranty for the title defects, dispute, litigation, arbitration ongoing or pending of the Target Companies.

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4) Given that the Transactions do not involve any issuance of the Shares and that the Target Companies as a whole have positive income flow, hence, and the earnings per share of the Company following completion of the Transactions will not be diluted.

5) Asset-based approach has been adopted for evaluating all the Target Companies (except Chaohu Power) which reflects the prudent consideration of the parties on pricing and a positive effect on preservation of and value appreciation of state-owned assets.

We noted from the Letter from the Board and the section headed “Background of the Target Companies”, that two of the Target Companies (Jingmen Thermal Power and Yingcheng Thermal Power) were yet to generate revenue and three of the Target Companies (Dalongtan Hydropower, Hualingting Hydropower and Anyuan Power) were loss making for the five months ended 31 May 2014. As stated in the Letter from the Board, given that (i) Jingmen Thermal Power and Ying Cheng Thermal Power are under construction; and (ii) Anyuan Power is under transformation construction in response to the policy of closing smaller generation units and replaced with bigger and efficient ones, the Company expects that Jingmen Thermal Power and Yingcheng Thermal Power will bring forward a positive cash inflow following their commencement of operation in or about 2015, and Anyuan Power will bring forward a positive cash inflow following the commencement of operation of the generation units in or about February and April 2015.

In addition, the Company believed that the operation of Hualingting Hydropower and Dalongtan Hydropower is largely driven and affected by the changes in climate. The Company expects that they would contribute positively in the revenue base and operational capacity by leveraging on the expertise management and operation of the Company in power generation industry and the strong capital strength following completion of the Transactions. Furthermore, we have discussed with Haiwen & Partners, Haiwen & Partners is of the view that the Transactions contemplated under the Transfer Agreements are consistent with the terms of the Non-compete Undertaking in all material respects. After considering the above factors, we are of the view that the Transactions in whole contemplated under the Transfer Agreements is consistent with the Non-compete Undertaking.

We evaluate the Transactions from the Independent Shareholders’ point of view that they could only vote for or against the Transactions as a whole. Taking into accounts of the aforesaid basis considered by the Company, we are of the view that the Transactions contemplated under the Transfer Agreement is beneficial to the Group and Independent Shareholders as a whole with the avoidance of direct business competition between the Group and Huaneng Group.

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Maintain the leading position in the power industry in China through increasing operational capacity with expansion potential

According to the Annual Report 2013, as at 31 December 2013, the Group is one of China's largest listed power producers. As stated in the Letter from the Board contained in the Circular, the Transactions realise the commitment of Huaneng Group to the Company as the only platform of the integration of Huaneng Group's conventional energy business. The Board believes that the Company is benefited from the Transactions by optimising its existing structure of power generation assets. The Transactions lead to a continuation of implementing the Company's mixed strategy of development and acquisition of power plants.

Based on the Letter from the Board, the Group is with controlled generation capacity of 66,888 MW as of 30 September 2014. Upon completion, the total controlled capacity will increase to approximately 74,000 MW, representing an increase of approximately 10.6%, both the operation and geographical scale of the Group are expected to expand as well as its profitability.

Further, the Transactions represent expansion potential to the Company. Currently, Anyuan Power, Jingmen Thermal Power and Yingcheng Thermal Power have power plants with total power generation capacity under construction of approximately 2,300 MW. Including these capacities under construction, the Company's controlled generation capacity will further increase to approximately 76,000 MW, with approximately 3.1% further increase.

Upon completion, the Target Companies will be consolidated in the consolidated statements of the Company. Based on the audited financial information of the Target Companies as at 31 May 2014, the total net assets of the Target Companies was approximately RMB6.5 billion.

In the long run, the Transactions will enable the Group to further consolidate its leading position as one of the largest independent power companies in China and strengthen the Group's competitive advantage in China's power industry.

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ANALYSIS OF THE TRANSACTIONS

Valuation of the Target Companies

As set out in the section headed “Assets valuation of the Target Companies” in the Letter from the Board contained in the Circular, the PRC independent valuers have conducted assets appraisal for Target Companies as at the valuation date, i.e. 31 May 2014, with the valuation results set out as follows:

Target Companies	Net assets			Appraised value of equity interests RMB'000
	Book value RMB'000	Appraised value RMB'000	Change in valuation RMB'000	
Hainan Power	2,780,568	4,625,007	66.33 %	4,245,756
Wuhan Power	1,478,911	3,610,836	144.16 %	2,708,127
Suzhou Thermal Power	348,866	496,672	42.37 %	265,471
Dalongtan Hydropower	82,005	182,327	122.34 %	176,857
Hualiangting Hydropower	3,749	33,621	796.80 %	33,621
Chaohu Power	1,042,721	1,663,223	59.51 %	997,934
Ruijin Power	253,720	340,553	34.22 %	340,553
Anyuan Power	(99,534)	(92,184)	7.38 %	(92,184)
Jingmen Thermal Power	387,524	389,028	0.39 %	389,028
Yingcheng Thermal Power	206,207	210,664	2.16 %	210,664
Total	6,484,737	11,459,747	76.72 %	9,275,828

As noted from the Letter from the Board, the PRC independent valuers have mainly adopted the asset-based approach in arriving the fair value of the attributable equity interest of Target Companies and such valuation approach provides indication of the value of Target Companies based on the balance sheet as of the base date of valuation of the companies under appraisal. All of the assets are identified and listed on the balance sheet, and all of the liabilities are brought to current value as of the valuation date. The difference between the market value of the assets and the market value of the liabilities is an indication of the value of the attributable equity interest under the asset-based approach.

Furthermore, as disclosed in the Letter from the Board, as at 31 May 2014, the aggregate book value of the properties owned by the Target Companies was less than 20% of the total asset of the Target Companies. In order to provide Shareholders with more information regarding the properties owned by the Target Companies, the Company also engaged an independent property valuer, AVISTA Valuation Advisory Limited (“AVISTA”) to carry out the valuation of the property interest held by the Target Companies as at 31 August 2014, with the methodology of (i) market approach for the property interests of the Target Companies with comparable sales transactions as available in the relevant market; and (ii) depreciated replacement cost for the property interests of the Target Companies with no market sales comparables readily available. As referred to the valuation report by AVISTA (the “AVISTA Report”) as

set out in the

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Appendix I to the Circular, we have discussed with AVISTA and reviewed the AVISTA Report for the valuation methodology and the underlying assumptions. According to the AVISTA Report, the total market value of the property interests held by the Target Companies in proportion to the Target Interests to which the Company shall be entitled upon completion of the Transactions is approximately RMB2.66 billion whereas AVISTA assigned no commercial value to the properties interests held by the Target Companies due to several reasons including (i) lack of title certificates; (ii) the nature of the allocated land; (iii) no permissions regarding the constructions in progress have been obtained; (iv) the properties are under application of the re-registration process; and (v) no commercial value is attributed to the ancillary structures of the properties. In considering the findings as disclosed above, we refer to the legal opinion given by Haiwen & Partners concerning the validity of the property interests held by the Target Companies in the PRC, and it stated that the current status of property interests held by the Target Companies does not obstruct and affect them to conduct normal business activities upon completion.

As noted from the Letter from the Board, the consideration of the Transactions, amounted to approximately RMB9.3 billion, is comparable with the total appraised value of the equity interest of Target Companies as set out above.

Valuation of Chaohu Power under income approach

The Company engaged Beijing Sinotop Appraisal Co., Ltd. (“Beijing Sinotop”), which is qualified to practise securities and futures related businesses, to assist the Company in the asset valuation of the Chaohu Power (the “Chaohu Power Valuation”). As referred to in Asset Valuation Report Zhong Feng Ping Bao Zi (2014) No. 034-1 issued by Beijing Sinotop (the “Chaohu Power Valuation Report”) as set out in the Appendix II(vi) to the Circular, the appraised value of assets of Chaohu Power as of the Base Date on 31 May 2014 is approximately RMB1,663.2 million.

Selection of Chaohu Power Valuation methodology

We have also discussed with the Beijing Sinotop the valuation methodology for the Chaohu Power Valuation and are given to understand that three generally accepted valuation approaches, namely asset-based approach, market approach and income approach, are considered for Chaohu Power Valuation. As disclosed in the Letter from the Board, through analysis and comparison by Beijing Sinotop and the fact that as at the Base Date, Chaohu Power generating units have a relatively higher income level as these generating units have large generation capacity, are of high efficiency and the technical and economic indicators of which are at a relatively advanced level. In addition, taking into account that recent transactions in the capital market with similar generation units, the revenue contribution and the relative competitiveness of these generation units in the Anhui region, Beijing Sinotop has finally selected the results of the income approach which is considered to be more appropriate to reflect Chaohu Power Valuation as at the Base Date. As a result, with the competitive advantage in operation and technique of Chaohu Power, discounted cash flow method of the income approach was used for Chaohu Power Valuation, and we concur with Beijing Sinotop that this method is appropriate.

Discounted cash flow method of the income approach explicitly recognises that the current value of Chaohu Power is premised upon the expected receipt of future economic benefits from income of power generation (mainly depending on the national average utilisation hours of coal-fire power generating equipment, weighted house consumption rate and on-grid tariff), net of operating costs (including fuel cost,

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material cost, employees' salaries and repair and maintenance cost). Chaohu Power Valuation is developed by discounting the estimated free enterprise cash flow¹ during the estimation period to the present value at a rate that reflects both the current cost of the equity capital and the interest-bearing debts. Based on Chaohu Power Valuation Report, the weighted average cost of capital ("WACC") was calculated as the discount rate.

To develop the free enterprise cash flow for Chaohu Power Valuation, Beijing Sinotop and the management of the Company developed the Profit Forecast of Chaohu Power. The letter from KPMG for purpose of Rule 14.62(2) of the Hong Kong Listing Rules on the Profit Forecast of Chaohu Power is set out in Appendix III to the Circular. The letter from the Financial Adviser for purpose of Rule 14.62(3) of the Hong Kong Listing Rules on the Profit Forecast of Chaohu Power is set out in Appendix IV to the Circular.

Discount rate – WACC

Based on Chaohu Power Valuation Report, WACC was calculated through taking into account of both the cost of equity capital and the cost of interest-bearing debts.

The cost of equity capital was calculated by using capital asset pricing model ("CAPM"). We have reviewed and discussed with Beijing Sinotop the determination of the risk-free return, the calculation of the risk compensation required by investors due to investing in China capital market with higher risk, calculation of the correlation of sample listed companies stock and the market, and the sample listed companies selected in measuring the enterprise-specific risk of Chaohu Power. No unusual variables were noted for the CAPM calculation.

For the cost of interest-bearing debts, we have reviewed and discussed with Beijing Sinotop for basis and no unusual variables were noted.

In conclusion, Beijing Sinotop identified the variables for both the calculation of cost of equity capital and the cost of interest-bearing debts on a best effort and unbiased selection basis based on the best knowledge of Beijing Sinotop. We consider that WACC is the appropriate discount rate and it is fair and reasonable.

Conclusion

We noted that KPMG, the auditors of the Company, has reported on the calculations of the discounted free enterprise cash flow contained in Chaohu Power Valuation Report and are of the view that the discounted free enterprise cash flow, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by the Directors. The Company has also engaged the Financial Adviser to review the procedures undertaken by the Directors in preparing the forecast underlying the valuation prepared by Beijing Sinotop of the profit forecast of Chaohu Power. As the result, the Directors confirm that the discounted free enterprise cash flow has been made after due and careful enquiry. Details of the Report from KPMG on the Profit Forecast of Chaohu Power and the Letter from the Financial Adviser on the Profit Forecast of Chaohu Power are set out in Appendix III and IV to the Circular, respectively. We have also reviewed the major assumptions used in the Chaohu Power Valuation and consider the assumptions are fair and reasonable. We have reviewed the engagement letter of

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Beijing Sinotop and have assessed the experience and the qualification of Beijing Sinotop. In view of the qualification and experience of the Beijing Sinotop, we consider the engagement of the Beijing Sinotop is acceptable.

Note:

1. Based on Chaohu Power Valuation Report, free enterprise cash flow refer to net profit after tax, before finance expenses (net of tax), depreciation and amortisation, and net of capital expenditures and changes in working capital.

Analysis of Comparable Companies

As Target Companies generate revenue from power generation operation from the generation capacity from both coal-fired plants and renewable power sources in China, in assessing whether the terms of the Transactions are fair and reasonable, we have analysed the trading multiples of the comparable companies (the “Comparable Companies”), which are (i) currently listed on the Stock Exchange; and (ii) primarily engaged in operation of power plants in China with majority of generation capacity from coal-fired plants. The Comparable Companies have been selected exhaustively based on the criteria set out above with reasonably sufficient samples for comparison purpose and which have been identified, to the best of our efforts, in our research through public sources.

Comparable Companies have similar business scope to that of Target Companies and they are considered to be operating in a similar industry environment in China. One should recognise that due to the unique business strategy and position of each company, it is not practical to identify a company with the same proportion of power generation capacity from different sources of power.

Accordingly, the following table shows the relevant ratios calculated based on the respective share prices of the Comparable Companies as at the Latest Practicable Date and their latest published financial statements for the latest full financial year. Although the analysis of Comparable Companies can reflect current market conditions in the industry and provide a guideline for valuation, it does not include differences in accounting policies and standards as well as differences in local regulations, operating environment, business model, taxation and other unique characteristics of different companies.

As disclosed in the latest published financial statements for the latest full financial year for the Comparable Companies, of which the operations of these companies are similar to the Target Companies, the revenue of the Comparable Companies is substantially generated from the sale of electricity and maintained operation in China. Hence, both Target Companies and Comparable Companies are carrying out electricity generation operation under common legal and taxation system with comparable operating environment in China.

Furthermore, given Target Companies and Comparable Companies operated power plants throughout various provinces in China, the common diversified feature of Target Companies and Comparable Companies in geographical locations also minimises the general effect of the difference in the local regulations and enhances our comparison.

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In addition, the financial statements for the latest full financial year for the Comparable Companies have been prepared in accordance with either IFRSs or Hong Kong Financial Reporting Standards (“HKFRSs”).

In the recent years, certain improvements and amendments in the PRC GAAP facilitate the ongoing convergence with the IFRS. As disclosed in this letter, the financial information of the Target Companies was prepared under the PRC GAAP. Although the PRC GAAP differs in certain respects from that of the IFRS, as disclosed in the Letter from the Board, the major impact on the net profit attributable to shareholders of the Company would be the accounting treatments of the depreciation and amortisation charges on the items on the financial statements of the Target Companies. As the result, the effect is limited and has no significant impact to our analysis.

In conclusion, given the comparable business operation in electricity generation is under similar legal and taxation system in China with financial information under reporting standards progressively converging with the IFRS, although no adjustment has been made in respect of the above differences, we believe the following analysis on Comparable Companies still provides a meaningful benchmark to assess the valuation of the Transactions.

	Historical price to earnings ¹ (Times)	Price to net asset value ² (Times)	Percentage of controlled generation capacity by Coal	Percentage of controlled generation capacity by renewable power
The Group	9.56	1.60	90.7 %	9.3 %
Datang International Power Generation Co., Ltd.	12.68	1.01	79.7 %	16.5 %
China Power International Development Limited	7.33	0.91	83.3 %	16.7 %
Huadian Power International Corporation Limited	9.12	1.62	91.2 %	8.8 %
China Resources Power Holdings Company Limited	9.28	1.57	N/A	N/A
China Longyuan Power Group Corporation Ltd.	25.62	1.70	13.3 %	85.6 %
Huadian Fuxin Energy Corporation Ltd.	18.45	2.42	36.9 %	61.3 %
Maximum	25.62	2.42		
Average	13.15	1.55		
Average excluding outliers ³	11.82	1.50		
Median	9.56	1.60		
Minimum	7.33	0.91		
Transactions	5.98	1.75	96.5 %	2.1 %

Source: latest financial statement for the latest full financial year of each Comparable Companies from the website of the Stock Exchange

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Note:

1. The historical price to earnings ratio refers to a comparison of the market value on the Latest Practicable Date (using the respective share prices in the case of the Comparable Companies) with the respective attributable net profit to the equity holders of the latest full financial year as per the published financial statements.
2. The price to net asset value ratio refers to a comparison of the market value on the Latest Practicable Date (using the respective share prices in the case of the Comparable Companies) with the attributable net asset to the equity holders as per publicly as per the latest published full year financial statements.
3. Averages excluding outliers for each of the data are calculated with excluding the minimum and maximum figures for each data.
4. The price to earnings ratio for the Transactions refers to a comparison of the total consideration paid with the attributable net profit of the latest full financial year as per publicly filed information of the Transactions available on the Latest Practicable Date.
5. The price to net asset value ratio for the Transactions refers to a comparison of the consideration paid in the Transactions with the attributable net asset on an equity basis as per publicly filed information of the Transactions available on the Latest Practicable Date.
6. Controlled capacity is not available per the latest annual report of China Resources Power Holdings Company Limited, base on the disclosure in the latest annual report, it maintained nearly 90% of the attributable generation capacity from coal-fired power plants.

A. Price to earnings

The historical average price to earnings ratio of the Group and Comparable Companies is approximately 13.15 times, with a range of approximately 7.33 times to 25.62 times. The price to earnings ratio of Transactions is lower than the average and the minimum price to earnings ratio of the Group and the Comparable Companies.

B. Price to net asset value

The average price to net asset value ratio of the Group and Comparable Companies is approximately 1.55 times, with a range of approximately 0.91 times to 2.42 times.

The price to net asset value ratio of Transactions is slightly higher than the average of the Group and the Comparable Transactions. However, when we compare with the Comparable Companies with coal-fired power representing around or over 90% of controlled generation capacity by coal as their primary power sources such as the Group, Huadian Power International Corporation Limited (“Huadian Power”) and China Resources Power Holdings Company Limited (“China Resources Power”), we noted that they show relatively higher price to net asset value ratios among the Comparable Companies. Comparing with the renewable power generation in China, the development in coal-fired power generation is more mature with long track record. The coal-fired power generation unit shows a more efficient asset utilisation, this leads to a relatively lower asset investment for coal-fired power generation. As a result, this contributes to lower net asset values of these three companies, and further, higher price to net asset value ratios of

them.

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Furthermore, as disclosed in the Letter from the Board, three of the Target Companies, namely Anyuan Power, Jingmen Thermal Power and Yingcheng Thermal Power, are still under construction. There is expansion potential in the net asset value of Target Companies and once the above-mentioned three Target Companies commenced in operation, this would eventually lower the price to net asset value ratio of the Target Companies.

Analysis of Comparable Transactions

In assessing whether the terms of the Transactions are fair and reasonable, we have also analysed certain comparable transactions (the “Comparable Transactions”) that have been disclosed in the public domain. In identifying the Comparable Transactions, the selection criteria are based on transactions that (i) are transactions, including acquisitions investments and disposals of comparable projects or companies in China by companies listed in the Stock Exchange; and (ii) are announced from 1st January 2012, up to and including the Latest Practicable Date. The Comparable Transactions have been selected exhaustively based on the criteria set out above with reasonably sufficient samples for comparison purpose and which have been identified, to the best of our efforts, in our research through public sources.

In our assessment, we do not take into account any impact of liquidity discount for the acquisitions and investments of unlisted entities as there would not be a reasonable basis to such liquidity discount, if any.

Announcement Date	Target	Primary Fuel	Purchaser/vendor ¹	Generation capacity on equity basis (MW)	Net asset value ² to MW ³ (RMB million)	Price to earnings ⁴ (Times)	Price to net asset value ⁵ (Times)	Price to MW ⁶ (RMB million)
Acquisitions or investments								
16-Jun-14	Guangdong Datang International Leizhou Power Generation Co., Ltd.	Coal	Datang International Power Generation Co., Ltd.,	680	N/A ⁷	N/A ⁸	N/A ⁷	1.0
25-Apr-14	Fu'an Jiulong Hydropower Development Co., Ltd.	Hydro	Haitian Hydropower International Limited	5	1.6	72.20	5.69	8.9
17-Apr-14	Jiangxi Datang International Fuzhou Power Generation Co., Ltd.	Coal	Datang International Power Generation Co., Ltd.,	1,020	0.3	N/A ⁸	2.65	0.9
18-Mar-14		Wind		223	1.2	17.29	1.16	1.4

	Hebei Hongsong Wind Power Co., Ltd. Guodian Shandong Linqu Wind Power Co., Ltd.		China Ruifeng Renewable Energy Holdings Limited						
1-Nov-13		Wind	China Longyuan Power Group Corporation Limited	24	N/A7	N/A8	N/A7	1.8	

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Announcement Date	Target	Primary Fuel	Purchaser/vendor	1 Generation capacity on equity basis (MW)	2 N e t a s s e t value (RMB million)	3 Price to earnings (Times)	4 Price to net asset value (Times)	5 Price to net asset value (Times)	6 Price to MW (RMB million)	7 Price to earnings (Times)	8 Price to net asset value (Times)	9 Price to MW (RMB million)
1-Nov-13	Guodian Shandong Jinan Wind Power Co., Ltd.	Wind	China Longyuan Power Group Corporation Limited	25	N/A	7	N/A	8	N/A	7	1.7	
1-Nov-13	Guodian Shandong Sishui Wind Power Co., Ltd.	Wind	China Longyuan Power Group Corporation Limited	24	N/A	7	N/A	8	N/A	7	1.7	
1-Nov-13	Guodian Duyun Wind Power Co., Ltd.	Wind	China Longyuan Power Group Corporation Limited	25	N/A	7	N/A	8	N/A	7	1.7	
14-Oct-13	Wuhu Electric Power Generating Company Limited	Coal	China Power International Development Limited	1,320	0.6		8.21		1.92		1.1	
10-May-13	Elite Wing Limited	Wind	China Resources Power Holdings Company Limited	1,612	2.0		48.5		1.06		2.1	
24-Apr-13	Ningde Xingyuan Hydropower Co., Ltd.	Hydro	Haitian Hydropower International Limited	3	0.6		73.10		12.10		7.8	
11-Apr-13	Fujian Kemen Power Stage II Generation Co., Ltd.	Coal	Huadian Fuxin Energy Corporation Limited	1,200	0.2		7.85		1.58		0.3	
28-Mar-13	Yingjian Huimin Hydropower Company	Hydro	China Power New Energy Development Company Limited	N/A	9	N/A	9	91.87	4.40		N/A	9
28-Mar-13	Yingjiang Hongfu Industrial	Hydro	China Power New Energy Development	N/A	9	N/A	9	49.74	2.44		N/A	9

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	Company Limited		Company Limited								
11-Dec-12	Datang Huayin Electric Power Co., Ltd. Sichuan	Coal	Datang International Power Generation Co., Ltd.,	468	N/A	7	N/A	8	N/A	7	0.8
13-Nov-12	Dachuan Power Co., Ltd. Sichuan	Hydro	Beijing Jingneng Clean Energy Co., Limited	122	2.3		24.82		4.50		10.5
13-Nov-12	Zhongneng Power Co., Ltd.	Hydro	Beijing Jingneng Clean Energy Co., Limited	60	2.6		14.67		3.59		9.3

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Announcement Date	Target	Primary Fuel	Purchaser/vendor1	Generation capacity on equity basis (MW)	Net asset value2 to MW3 (RMB million)	Price to earnings4 (Times)	Price to net asset value5 (Times)	Price to MW6 (RMB million)			
28-Sep-12	Yunnan Huadian Nujiang Hydropower Development Co., Ltd.	Wind	Huadian Fuxin Energy Corporation Limited	395	0.02	N/A	8	0.02			
23-Apr-12	Datang Tibet Bodui Hydropower Development Company Limited	Hydro	Datang International Power Generation Co., Ltd.,	2	N/A	7	N/A	8	N/A	7	49.8
29-Mar-12 Disposal	Zhejiang Datang International Shaoxing Jiangbin Thermal Power Company	Gas	Datang International Power Generation Co., Ltd.,	814	N/A	7	N/A	8	N/A	7	0.7
2-Apr-14	CSEC Guohua International Power Company Limited	Coal	CLP Holdings Limited	1,333	2.2	19.57	0.7	1.6			
2-Apr-14	CLP Guohua Shenmu Power Company Limited	Coal	CLP Holdings Limited	108	1.3	54.42	1.17	1.5			
3-Dec-13	Zhouning County Qianyuan Hydropower Development Co., Ltd	Hydro	Haitian Hydropower International Limited	2	4.0	18.72	1.79	7.2			

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	Heimifeng Pumped Storage Power Plant	Hydro	China Power International Development Limited	N/A	9	N/A	9	N/A	11	1.00	N/A	9
26-Jul-13												
Maximum						4.0		91.87		12.10		49.8
Average						1.5		38.54		2.92		5.3
Average excluding outliers ¹⁰						1.4		36.48		2.43		3.3
Median						1.3		24.82		1.86		1.7
Minimum						0.02		7.85		0.70		0.02
Transactions						0.7		5.98		1.75		1.2

Source: announcement of each Comparable Transaction from the website of Stock Exchange

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Notes:

1. Purchaser/vendor refers to the respective listed company and/or its subsidiaries.
2. Net book value refers to the attributable net asset on an equity basis as per publicly filed information of the Comparable Transactions available on the Latest Practicable Date.
3. MW refers to the generation capacity on an equity basis as per publicly filed information of the Comparable Transactions available on the Latest Practicable Date.
4. The price to earnings ratio refers to a comparison of the total consideration paid in the acquisition with the attributable net profit of the latest full financial year of the target power plant(s) as per publicly filed information of the Comparable Transactions available on the Latest Practicable Date.
5. The price to net asset value ratio refers to a comparison of the consideration paid in the Comparable Transactions with the attributable net asset on an equity basis as per publicly filed information of the Comparable Transactions available on the Latest Practicable Date.
6. The price to MW ratio refers to a comparison of the consideration paid in the Comparable Transactions with the generation capacity on equity basis as per publicly filed information of the Comparable Transactions available on the Latest Practicable Date.
7. Net asset value is not available per publicly filed information of the respective Comparable Transactions.
8. Net profit is not available per publicly filed information of the respective Comparable Transactions.
9. Generation capacity is not available per publicly filed information of the respective Comparable Transactions.
10. Averages excluding outliers for each of the data are calculated with excluding the minimum and maximum figures for each data.
11. Net loss was generated per publicly filed information of the respective Comparable Transactions.

A. Net asset value to MW ratio

The average net asset to MW ratio of the Comparable Transactions is approximately RMB1.5 million, with a range of approximately RMB0.02 million to RMB4.0 million. The net asset to MW ratio of Transactions is lower than the average net asset to MW ratio of the Comparable Transactions and is within the range of the Comparable Transactions.

B. Price to earnings ratio

The average price to earnings ratio of the Comparable Transactions is approximately 38.54 times, with a range of approximately 7.85 times to 91.87 times. The price to earnings ratio of Transactions is lower than the average and the minimum price to earnings ratio of the Comparable Transactions.

LETTER FROM GUOTAI JUNAN

C. Price to net asset value ratio

The average price to net asset value ratio of the Comparable Transactions is approximately 2.92 times, with a range of approximately 0.7 times to 12.1 times. The price to net asset ratio of Transactions is lower than the average price to net asset ratio of the Comparable Transactions and is within the range of the Comparable Transactions.

D. Price to MW ratio

The average price to MW ratio of the Comparable Transactions is approximately RMB5.3 million, with a range of approximately RMB0.02 million to RMB49.8 million. The price to MW ratio of Transactions is lower than the average price to MW ratio of the Comparable Transactions and is within the range of the Comparable Transactions.

Taking into account the above factors, we consider the consideration of Transactions of RMB9.3 billion to be fair and reasonable.

Financial effects of the Transactions on the Group

This section sets out various analyses on the potential financial effects of the Transactions on the Group, which were prepared based on the audited financial statements of the Group extracted from the Annual Report 2013 and the unaudited financial statements extracted from the Interim Report 2014, and audited financial information of Target Companies for the year ended 31 December 2013 and the five months ended 31 May 2014. It should be noted that the figures and financial impact shown in this section are for illustrative purposes only.

Consolidation of financial statements

Before the Transactions, the accounts of the Target Companies were not consolidated into the consolidated accounts of the Group, while upon the completion of the Transactions, Target Companies will become subsidiaries of the Company and accordingly the financial results, total assets and total liabilities of Target Companies will be consolidated into the Group's accounts upon completion of relevant procedures, including the appointment of directors. The actual effect on earnings or losses of the Company will depend on future financial performance of the Target Companies.

Net assets

As at 30 June 2014, the consolidated net asset of the Group was approximately RMB78.7 billion. Based on the audited financial information of the Target Companies as at 31 May 2014, the total net assets of the Target Companies was approximately RMB6.5 billion. Upon the completion of Transactions, the total net assets of the Group would increase.

LETTER FROM GUOTAI JUNAN

Cash

Based on the Interim Report 2014 of the Group for the six months ended 30 June 2014, the bank balances and cash of the Group amounted to approximately RMB12.0 billion. Based on the audited financial information of the Target Companies as at 31 May 2014, the total bank balances and cash of the Target Companies was approximately RMB1.4 billion. As set out in the Letter from the Board, the consideration of the Transactions of RMB9.3 billion will be satisfied by the payment of cash from the internal resources of the Company on completion, there would be cash outflow for the Company. Upon the completion of Transactions, the total bank balances and cash of the Group would decrease.

Earnings

Upon the completion of Transactions, the Target Companies will be subsidiaries of the Company and their results will be consolidated into the financial statements of the Group. Based on the audited financial information of the Target Companies for the year ended 31 December 2013 and five months ended 31 May 2014, the total net profits of the Target Companies were approximately RMB1.9 billion and 0.9 billion, respectively. As set out in the Letter from the Board, the Target Companies had controlled generating capacity of approximately 9,400 MW, which contributed to an increase by 14.1% to the Group total controlled generating capacity. The Target Companies are expected to contribute positively to the revenue, earnings base and operational capacity of the Group after completion of Transactions.

Gearing

Based on the Interim Report 2014 of the Group for the six months ended 30 June 2014, the ratio of liabilities and shareholders' equity of the Group was approximately 2.9. Based on the audited financial information of the Target Companies as at 31 May 2014, the total liabilities and the total net assets (on equity based, also representing the shareholders' equity of the Targets in connection with the Transactions) of the Target Companies were approximately RMB20.2 billion and RMB5.3 billion, respectively. Assuming that (i) Transactions was completed on 30 June 2014 and; (ii) the consideration of RMB9.3 billion for the Transactions shall be satisfied in cash, the total liabilities of the Group would increase, resulting in an increase in the ratio of liabilities and shareholders' equity of the Group, which is calculated as the balance of liabilities as of the period end divided by the balance of shareholders' equity (excluding non-controlling interests) as of the period end.

Future working capital and liquidity

It is expected that the Target Companies will be able to finance its operations and expansion independently from the Group. Based on the audited financial information of the Target Companies for the year ended 31 December 2013 and the five months ended 31 May 2014, the total net increase in cash and cash equivalents were approximately RMB0.3 billion and RMB0.6 billion, respectively. The Target Companies also maintained total cash flows from operating activities amounted of approximately RMB4.6 billion and RMB1.8 billion for the year ended 31 December 2013 and the five months ended 31 May 2014, respectively. Further, as noted from the Interim Report 2014, the Group had capital commitment of approximately RMB19.7 billion, which is contracted but not provided for, no immediate settlement was requested to be made. As the result, the Transactions are not expected to adversely affect the overall cash flow and liquidity position of the Group.

LETTER FROM GUOTAI JUNAN

SUMMARY

We have reached our conclusion by considering the above factors and reasons and we would like to draw your attention in particular to the following:

- • The Transactions will enable the Group to further consolidate its leading position as one of the largest independent power companies in China and strengthen the Group's competitive advantage in China's power industry.
- • Upon the completion of the Transactions, the total controlled capacity will increase to approximately 74,000 MW (excluding the power generation capacity under construction), representing an increase of approximately 10.6%, both the operation and geographical scale of the Group are expected to expand as well as its profitability.
- • As noted from the Letter from the Board, the consideration of the Transactions, amounted to approximately RMB9.3 billion, is comparable with the total appraised value of the equity interest of Target Companies. The consideration of the Transactions will be satisfied by the payment of cash from the internal resources of the Company on completion.
- • After considering the nature of power generation operations, the Transactions multiples are reasonable as compared with the trading multiples of Comparable Companies.
- • After considering the economic environment and conditions of various transactions and natures of power plants, the Transactions multiples are reasonable as compared with the precedent transactions multiples of Comparable Companies.
- • Based on the analysis of financial effects of the Transactions on the Group, after the completion of the Transactions, although the Group's gearing ratio would increase and bank balances and cash would decrease, there is an increase in the Group's net assets.
- • Upon the completion of the Transactions, the Target Companies are expected to contribute positively to the revenue, earnings base and operational capacity of the Group.

RECOMMENDATION

Having considered the above principal reasons and factors, we are of the view that the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole. We also consider the terms of the Transactions are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to and also recommend the Independent Shareholders to vote in favour of the Transactions.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Wilson Lo

Managing Director

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APPENDIX I

PROPERTY VALUATION REPORT

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2014 of the property interests of Huaneng Group.

13 November 2014

The Board of Directors
Huaneng Power International, Inc.
Huaneng Building
6 Fuxingmennei Street
Xicheng District
Beijing
The People's Republic of China

Dear Sirs/Madams,

In accordance with the instructions of Huaneng Power International, Inc. (the "Company") for us to carry out the valuation of the property interests held by China Huaneng Group and its subsidiaries (hereinafter together referred to as the "Huaneng Group") (details of the properties are more particularly listed in the Summary of Values of this report), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 August 2014 (the "valuation date").

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council and Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

As confirmed by the Huaneng Group that the accounting treatment of the property interests are based on Generally Accounting Accepted Principles in China (PRC GAAP).

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PROPERTY VALUATION REPORT

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

Our valuations also exclude potential tax liability which might arise if the assets were to be sold at the valuation date, including but not limited to profit tax, business tax, land appreciation tax, capital gain tax and any other relevant taxes prevailing at the valuation date.

Our valuation has been made on the assumption that the owner sells the property interests in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuation.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

Unless otherwise stated in the report, no environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers. It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report.

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held by Huaneng Group, which in turn being classified into the following groups:

Group I – Property interests held and occupied by Huaneng Group in the PRC

Group II – Property interests held under development by Huaneng Group in the PRC

We have valued the property interests in Nos. 2, 8, 9, 13, 15 – 17, 21, 23 and 24 by market approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the property interests in Nos. 1, 3 – 7, 10 – 12, 14, 18 – 20, 22 and 25 – 28, there are no market sales comparables readily available, we have valued a property on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of

APPENDIX I

PROPERTY VALUATION REPORT

replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have been shown copies of various title documents, sales and purchase agreements and other document relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Haiwen & Partners, concerning the validity of the property interests in the PRC. In respect of the general comment of the PRC legal opinion, the current status of property interests held by Huaneng Group does not obstruct and affect them to conduct normal business activities upon completion.

We have relied to a very considerable extent on the information given to us by the Company in the course of valuation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Huaneng Group. We have also sought confirmation from Huaneng Group that no material factors have been omitted from the information supplied. We have accepted advice given to us on such matters as title, planning approvals, statutory notices, easements, tenure, leases, particulars of occupancy, identification of property, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made to verify their correctness. We have been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not been commissioned carry out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the appraised property. However, we must point out that we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible, we are therefore unable to report and any such part of the property are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the property or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

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PROPERTY VALUATION REPORT

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the date of valuation. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

The site inspection was carried out during the period from 2nd July 2014 to 15th July 2014 by our Mr. Jason Wang (CFA, Director); Mr. Raymond Chan (Senior Valuer); Mr. Terry Li (Valuer) and Ms. Sarah Lee (Valuer).

In accordance with our standard practice, the valuation certificates are for the exclusive use of the party to whom it is addressed and no responsibility is accepted to the third party for the whole or any part of its contents.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has about 7 years' experience in the valuation of properties in the PRC and 10 years of property valuation experience in Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

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PROPERTY VALUATION REPORT

SUMMARY OF VALUES

Group I – Property interests held and occupied by Huaneng Group in the PRC

No. Property

1. Nanshan Power Plant of Huaneng Hainan Power Inc.

(“華能海南 份有限公司南山 廠生活區”)

Located at

Nanshan District

Yacheng Town

Sanya City

Hainan Province

the PRC

2. Nanshan Power Plant Dormitory

(“南山 廠生活區”)

Located at

Yingbin Road

Hedong District

Sanya City

Hainan Province

the PRC

3. Dongfang Power Plant of Huaneng Hainan Power Inc.

(“華能海南 份有限公司東方 廠生活區”)

Located at

East of Binhai Road

Basuo Town

Dongfang City

Hainan Province

the PRC

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PROPERTY VALUATION REPORT

No. Property

4. Gezhen Hydropower Plant of Huaneng Hainan Power Inc.
 (“華能海南 份有限公司戈枕 村”)
Located at
Gezhen Village
Dongfang City
Hainan Province
the PRC
5. Haikou Power Plant of Huaneng Hainan Power Inc.
 (“華能海南 份有限公司海口 村”)
Located at
Ma Village
Laocheng Town
Haikou City
Hainan Province
the PRC
6. Dianli Village
 (“ 村”)
Located at
No. 1 Qiuhai Road
Longhua District
Haikou City
Hainan Province
the PRC

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PROPERTY VALUATION REPORT

No. Property

7. Wenchang Wind Power Plant of Huaneng Hainan Power Inc.
 (“華能海南 份有限公司文昌能海南”) Located at
The coastal Area
Puqian Town and Jinshan Town
Wenchang City
Hainan Province
the PRC
8. Room 503 – 506,
5th Floor, Block E
World Trade Center
 (“世貿中心”) No. 2 Shimao East Road
Haikou City
Hainan Province
the PRC
9. Rainbow Building
 (“彩虹 厦”) Located at
East of Qihai Avenue
Haikou City
Hainan Province
the PRC

APPENDIX I

PROPERTY VALUATION REPORT

No. Property	M va existing as August
<p>10. Huaneng Hualiangting Hydropower Co., Ltd. (“&#33775;&#33021;&#33457;&#28092;&#20141; &#26377;&#38480;&#20844;&#21496;”) Located at Huatinghu Village Jinxi Town Taihu County Anqing City Anhui Province the PRC</p>	Comm
<p>11. Huaneng Chaohu Power Generation Co., Ltd. (“&#33775;&#33021;&#24034;&#28246; &#26377;&#38480;&#36012;&#20219;&#20844;&#21496;”) Located at Xiage Town Chaohu City Anhui Province the PRC</p>	523,08
<p>12. Huaneng Suzhou Thermal Power Co., Ltd. (“&#33775;&#33021;&#34311;&#24030;&#29105; &#26377;&#38480;&#36012;&#20219;&#20844;&#21496;”) Located at No. 688 Changjiang Road Suzhou New District Suzhou City Jiangsu Province the PRC</p>	165,63

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PROPERTY VALUATION REPORT

No. Property	Market value in existing state as at 31 August 2014 RMB	Att To
13. Room 506 5th Floor Block 8 with Carparking space No. 18 Block 22 Gong Yuan Tian Xia (“公園天下花園”) Youxin Street Gusu District Suzhou City Jiangsu Province the PRC	2,870,700	
14. Huaneng Wuhan Power Generation Co., Ltd. (“華能武漢 有限責任公司”) Located at Yangluo Town Wuhan City Hubei Province the PRC	52,807,000	
15. A parcel of land Located at Wugan Road Jiangnan District Wuhan City Hubei Province the PRC		No Commercial Value
16. An office unit Located at Zhengzhou City Henan Province the PRC		No Commercial Value

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PROPERTY VALUATION REPORT

No. Property	M va existing as August
17. A residential unit “武華花園小區” Located at No. 3 Zhengyi Road Jiangan District Wuhan City Hubei Province the PRC	9,61
18. Various residential property Located at Caijiantian & Huaqiaobeiqu Jiangan District Wuhan City Hubei Province the PRC	Comm
19. Enshi Qingjiang Dalongtan Hydropower Development Co., Ltd. (“恩施清江 龍潭 開 有限公司”) Located at Dalongtan Village Xiaoduchuan Town Enshi City Hubei Province the PRC	325,50

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PROPERTY VALUATION REPORT

No. Property	Market value in existing state as at 31 August 2014 RMB
20. Huaneng Ruijin Power Generation Co., Ltd. (“華能瑞金 有限責任公司”) Located at Shangba Village Maodian Town Gan County Ganzhou City Jiangxi Province the PRC	455,283,000
21. Room 404 4th Floor, Block C1 & Room 401 4th Floor, Block E4 (“蔚南半島”) Located at No. 118 Zhangjiang North Avenue Ganzhou City Jiangxi Province the PRC	No commercial Value
22. Huaneng Anyuan Power Generation Co., Ltd. (“華能安源 有限責任公司”) The Old Power Plant Located at Xiangdong Town Xiangdong District Pingxiang City Jiangxi Province the PRC	No commercial Value

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PROPERTY VALUATION REPORT

No.	Property	Market value in existing state as at 31 August 2014 RMB	Interest Attributable To Huaneng Group	Market value Attributable to Huaneng Group as at 31 August 2014 RMB
23.	Room 1103 – 1104, 11th Floor “銀霄 廈” Located at No. 6259 Humin Road Minxing District Shanghai the PRC	No commercial Value	100%	No commercial Value
24.	Room 308, 3rd Floor “田家巷” Located at Donghu District Nanchang City Jiangxi Province the PRC	No commercial Value	100%	No commercial Value
	Sub-total:	3,094,449,700		2,653,512,500

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PROPERTY VALUATION REPORT

Group II – Property interests held under development by Huaneng Group in the PRC

No. Property

25. Dongfang Power Plant Dormitory

(“東方 廠生活區”)

Located at

West of Erhuannan Road

Basuo Town

Dongfang City

Hainan Province

the PRC

M
va
existing
as
August

Comm

26. Huaneng Jingmen Thermal Power Co., Ltd.

(“華能荊門熱 有限責任公司”)

Located at

8th Team

Xinqiao Village

Zilingpu Town

Dongbao District

Jingmen City

Hubei Province

the PRC

4,24

27. Huaneng Yingcheng Thermal Power Co., Ltd.

(“華能應城熱 有限責任公司”)

Located at

Hujia Village, Zhifu Village & Pogang Village

Langjun Town

Yingcheng City

Hubei Province

the PRC

Comm

APPENDIX I

PROPERTY VALUATION REPORT

No. Property	Market value in existing A state as at 31 T August 2014 RMB
28. Huaneng Anyuan Power Generation Co., Ltd. (“華能安源 有限責任公司”) New Power Plant Located at Gexi Village & Liujiang Village Luxi Town Luxi County Pingxiang City Jiangxi Province the PRC	No commercial Value
	Sub-total: 4,247,000
	Grand-total: 3,098,696,700

APPENDIX I

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

Group I – Property interests held and occupied by Huaneng Group in the PRC

No. Property

1. Nanshan Power Plant of Huaneng Hainan Power Inc.

(“華能海南 份 有限公司南山 &

Located at

Nanshan District

Yacheng Town

Sanya City

Hainan Province

the PRC

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APPENDIX I

PROPERTY VALUATION REPORT

Notes:

1. Pursuant to the State-owned Land and Buildings Ownership Certificate – San Tu Fang (2007) Zi Di No. 8169 issued by Bureau of Land and Environmental Resources of Sanya City and Bureau of Real Estate Management of Sanya City dated 20th November 2007 has been granted to Huaneng Hainan Power Inc. (“華能海南 份有限公司”) with the land and buildings information as follows:

a. Land Use Rights

The land use rights with a total site area of approximately 264,134.64 sq.m., for a term expiring on 4th January 2044 for industrial use.

b. Buildings

The 11 buildings with a total gross floor area of approximately 10,343.75 sq.m.

2. In the valuation of this property, we have attributed no commercial value to the 4 numbers of building with a total gross floor area of approximately 2,987.80 sq.m. which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB3,594,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

a. The property is legally held and can be legally occupied, used and transferred by Nanshan Power Plant of Huaneng Hainan Power Inc.; and

b. The 4 numbers of building property mentioned in note 2, which are under application of the State-owned Land and Building Ownership Certificates. The property has the rights to occupied, use, transferred, leased or mortgaged by Nanshan Power Plant of Huaneng Hainan Power Inc. if the State-owned Land and Buildings Ownership Certificates have been legally obtained.

4. A summary of major certificates/licenses provided by the Company are as follows:

a.	State-owned Land and Buildings Ownership Certificate	Yes
b.	Electric Power Business Licence	Yes

5. As confirmed by Huaneng Group that there is no environmental and planning issues.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No. Property	Description of and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014 RMB
2. Nanshan Power Plant Dormitory (“南山 廠生活區”) Located at Yingbin Road Hedong District Sanya City Hainan Province the PRC	The property comprises a parcel of land with a total site area of approximately 16,170.79 sq.m. and 30 residential units on various floor levels and blocks of Nanshan Power Plant Dormitory which were completed in various stages between 2002 – 2006. The 30 residential units have a total gross floor area of approximately 4,882.35 sq.m. As informed by Huaneng Group, the land use rights has remaining buildable area of approximately 31,740.13 sq.m. for	The property is currently occupied by Huaneng Group for staff dormitory.	117,940,200 (91.8% interest attributable to Huaneng Group: RMB108,269,000)

residential use.
The property is
held under 3
numbers of
State-owned
Land and
Buildings
Ownership
Certificates for
different terms
on the latest
expiring date at
30th July 2064
for residential
use.

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PROPERTY VALUATION REPORT

Notes:

1. Pursuant to the following State-owned Land and Buildings Ownership Certificates issued by Bureau of Land and Resources of Sanya City has been granted to 海南中海能源 份有限公司 and Huaneng Hainan Power Inc. (“華能海南 份有限公司”) for residential use, with the detail information as follows:

No.	State-owned Land and Building Ownership Certificates	Date of Issuance	Date of Expiry	Nature of the Land Use Right	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Registered Owner
1.	San Tu Fang (2002) Zi Di No. 1529	22-Aug-2002	30-Jul-2064	Granted –	–	106.38	海南中海能源 份有限公司
2.	San Tu Fang (2006) Zi Di No. 5471	20-Oct-2006	30-Jul-2064	Granted –	–	2,563.31	華能海南 份有限公司
3.	San Tu Fang (2006) Zi Di No. 5472	20-Oct-2006	1-Jul-2064	Granted	16,170.79	10,012.00	華能海南 份有限公司

2. In valuation of the property, we have attributed no commercial value to the property no. 1 mentioned in note 1 which has not obtained title certificate under the name of Huaneng Group. However, for reference purpose, we are of the opinion that the reference value of the property as at the date of valuation would be RMB1,063,800 assuming all relevant title certificates have been obtained and the property could be freely transferred.

3. As informed by Huaneng Group, the property no. 3 mentioned in note 1 that the State-owned Land and Building Ownership Certificate has not yet been renewed. As at the date of valuation, Huaneng Hainan Power Inc. (“華能海南 份有限公司”) held the property with the buildable area of approximately 31,740.13 sq.m. for residential use.

4. As informed by Huaneng Group, the property no. 3 mentioned in note 1 that the State-owned Land and Buildings Ownership Certificate has not yet been renewed. As at the date of valuation, Huaneng Hainan Power Inc. (“華能海南 份有限公司”) held the property with the gross floor area of approximately 2,216.66 sq.m. for residential use.

5.

We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. 2 parcels of the granted land and the buildings thereon are legally held and can be legally occupied, used and transferred by Nanshan Power Plant of Huaneng Hainan Power Inc.; and
 - b. The remaining parcel of granted land and the building thereon of State-owned Land and Buildings Ownership Certificate No. San Tu Fang (2002) Zi Di No. 1529 was under the registered name of 28023;21335;20013;28023;33021;28304; 20221;26377;38480;20844;21496;, the predecessor registered owner, the property is under application of the re-registration process, the property can be legally occupied and transfer by Nanshan Power Plant of Huaneng Hainan Power Inc. if the re-registration process has been legally completed and the re-registration process will not have substantive legal impediment.
6. As confirmed by Huaneng Group that there is no major environmental and planning issues.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No. Property

3. Dongfang Power Plant of Huaneng Hainan Power Inc.

(“華能海南 份 有限公司東方 &

Located at

East of Binhai Road

Basuo Town

Dongfang City

Hainan Province

the PRC

APPENDIX I

PROPERTY VALUATION REPORT

Notes:

1. Pursuant to the State-owned Land Use Rights Certificates issued by Dongfang Municipal Government have been granted or allocated to Dongfang Power Plant of Huaneng Hainan Power Inc. (“華能海南 份有限公司東方 廠” for industrial use, with the detail information are as follows:

No.	State-owned Land Use Right Certificates	Date of Issuance	Date of Expiry	Nature of the Land Use Right	Site Area (sq.m.)	Registered Owner
1.	Dong Fang Guo Yong (2013) Di No. 000002	8-Jun-2013	29-Jan-2063	Granted	69,630.06	華能海南 份有限公司東方 廠
2.	Dong Fang Guo Yong (2010) Di No. 002	12-May-2010	N/A	Allocated	263,844.00	華能海南 份有限公司東方 廠
3.	Dong Fang Guo Yong (2010) Di No. 001	12-May-2010	N/A	Allocated	256,477.00	華能海南 份有限公司東方 廠
4.	Not yet obtained	N/A	N/A	N/A	53,407.60	N/A

2. In valuation of the property, we have attributed no commercial value to the 43 buildings with a total gross floor area of approximately 123,508.00 sq.m. which have not obtained any title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB468,840,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

- a. a parcel of the granted land can be legally occupied, used and transferred by Dongfang Power Plant of Huaneng Hainan Power Inc.;
- b. 2 parcels of the allocated land can be legally occupied by Dongfang Power Plant of Huaneng Hainan Power Inc.;
- c. a parcel of the land no. 4 mentioned in note 1, which the title defect will not affect the transaction and also no material impact for the operation after the completion of the transaction;
- d. the 40 numbers of building erected thereon the land parcel no. 2, which are under application of Buildings Ownership Certificates. The property has the rights to occupied and use by Dongfang Power Plant of Huaneng

Hainan Power Inc. if the Buildings Ownership Certificates have been legally obtained; and

e. the 3 numbers of building erected thereon the land parcel no. 1, which are under application of Buildings Ownership Certificates. The property has the rights to occupied, use, transferred, leased or mortgaged by Dongfang Power Plant of Huaneng Hainan Power Inc. if the Buildings Ownership Certificates have been legally obtained.

4. A summary of major certificates/licenses provided by the Company are as follows:

a. State-owned Land Use Rights Partial Certificate

b. Building Ownership Certificate No

c. Sea Area Use Rights Certificate Yes

d. Electric Power Business Licence Yes

5. As confirmed by Huaneng Group that there is no planning issues.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No. Property

4. Gezhen Hydropower Plant of Huaneng Hainan Power Inc.

(“華能海南 份 有限公司戈枕

Located at

Gezhen Village

Dongfang City

Hainan Province

the PRC

Notes:

1. As informed by Huaneng Group, the State-owned Land Use Rights Certificate has not yet been obtained.
2. In valuation of the property, we have attributed no commercial value to the 8 buildings with a total gross floor area of approximately 10,451.91 sq.m. which have not obtained any title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB161,170,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
3. In valuation of the property, we have attributed no commercial value to the various structures which mainly include a dam, roadway, main entry gate, water supply system and etc, thereon the land parcel in note 1. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the structures (excluding the land) as at the date of valuation would be RMB289,523,000.

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4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. The land parcel is under application of State-owned Land Use Rights Certificate. The land parcel has the rights to occupied and use by Gezhen Hydropower Plant of Huaneng Hainan Power Inc. if the State-owned Land Use Rights Certificate have been legally obtained; and
 - b. The 8 numbers of building are under application of Building Ownership Certificates. The buildings has the rights to occupied and use by Gezhen Hydropower Plant of Huaneng Hainan Power Inc. if the Building Ownership Certificates have been legally obtained.
5. A summary of major certificates/licenses provided by the Company are as follows:
- a. State-owned Land Use Rights Certificate No
 - b. Building Ownership Certificate No
 - c. Electric Power Business Licence Yes
6. As confirmed by Huaneng Group that there is no major environmental and planning issues.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No. Property

5. Haikou Power Plant of Huaneng Hainan Power Inc.

(“華能海南 份 有限公司海口 &

Located at

Ma Village

Laocheng Town

Haikou City

Hainan Province

the PRC

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APPENDIX I

PROPERTY VALUATION REPORT

Notes:

1. Pursuant to the State-owned Land Use Rights Certificates issued by Chengmai County Government has been granted to &# 2 8 0 2 3 ; &# 2 1 4 7 5 ; &# 2 8 7 7 9 ; &# 2 0 2 2 1 ; &# 2 6 3 7 7 ; &# 3 8 4 8 0 ; &# 2 0 8 4 4 ; &# 2 1 4 9 6 ; , 海南中海能源 份有限公司 and H a i k o u P o w e r P l a n t o f H u a n e n g H a i n a n P o w e r I n c . (“華能海南 份有限公司海口 廠 for industrial use, with the detail information as follows:

No.	State-owned Land Use Rights Certificates	Date of Issuance	Date of Expiry	Nature of the Land Use Right	Site Area (sq.m.)	Usage	Registered Owner
1.	Ma Cun Guo Yong (2003) Di No. 54	15-Sep-03	14-Jan-62	Granted	350,000.26	Industrial	海口火 份有
2.	Ma Cun Guo Yong (2003) Di No. 55	15-Sep-03	12-Jan-62	Granted	250,794.23	Industrial	海口火 份有
3.	Ma Cun Guo Yong (2003) Di No. 56	15-Sep-03	14-Jan-62	Granted	2,532.19	Industrial	海口火 份有
4.	Ma Cun Guo Yong (2003) Di No. 57	15-Sep-03	10-Jan-62	Granted	42,757.01	Industrial	海口火 份有
5.	Ma Cun Guo Yong (2003) Di No. 58	15-Sep-03	12-Jan-62	Granted	38,492.14	Industrial	海口火 份有
6.	Ma Cun Guo Yong (1999) Di No. 30	02-Aug-99	28-Jul-49	Granted	3,805.20	Industrial	海口火 份有
7.	Ma Cun Guo Yong (1999) Di No. 31	02-Aug-99	28-Jul-49	Granted	1,204.27	Industrial	海口火 份有

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8.	Ma Cun Guo Yong (2001) Zi Di No. 0039	06-Mar-01	10-Oct-59	Granted	11,121.90	Industrial	海南中海能&
9.	Ma Cun Guo Yong (2001) Zi Di No. 0040	06-Mar-01	10-Oct-59	Granted	750,435.92	Industrial	海南中海能&
10.	Ma Cun Guo Yong (2001) Zi Di No. 0041	06-Mar-01	10-Oct-59	Granted	12,514.95	Industrial	海南中海能&
11.	Ma Cun Guo Yong (2001) Zi Di No. 0042	06-Mar-01	10-Oct-59	Granted	509.96	Industrial	海南中海能&
12.	Ma Cun Guo Yong (2001) Zi Di No. 0043	06-Mar-01	10-Oct-59	Granted	2,138.64	Industrial	海南中海能&
13.	Ma Cun Guo Yong (2001) Zi Di No. 0045	06-Mar-01	10-Oct-59	Granted	288.52	Industrial	海南中海能&
14.	Ma Cun Guo Yong (2001) Zi Di No. 0046	06-Mar-01	10-Oct-59	Granted	330.69	Industrial	海南中海能&
15.	Ma Cun Guo Yong (2001) Zi Di No. 0047	06-Mar-01	10-Oct-59	Granted	18,217.84	Industrial	海南中海能&
16.	Ma Cun Guo Yong (2001) Zi Di No. 0049	25-Apr-01	10-Oct-59	Granted	5,327.30	Industrial	海南中海能&
17.	Ma Cun Guo Yong (2001) Zi Di No. 0050	25-Apr-01	10-Oct-59	Granted	3,330.58	Industrial	海南中海能&
18.	Ma Cun Guo Yong (2001) Zi Di No. 0051	25-Apr-01	10-Oct-59	Granted	128.40	Industrial	海南中海能&
19.	Ma Cun Guo Yong (2001) Zi Di No. 0052	25-Apr-01	10-Oct-59	Granted	197.43	Industrial	海南中海能&
20.	Ma Cun Guo Yong (2001) Zi	25-Apr-01	10-Oct-59	Granted	135,955.04	Industrial	海南中海能&

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PROPERTY VALUATION REPORT

2. In valuation of the property, we have attributed no commercial value to the land parcels nos. 1 – 21 mentioned in note 1 with the total site area of approximately 1,656,529.79 sq.m., which has not obtained title certificates under the name of Huaneng Group. However, for reference purpose, we are of the opinion that the reference value of the land parcels as at the date of valuation would be RMB543,293,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.
3. Pursuant to the 3 numbers of Building Ownership Certificates – Cheng Fang Quan Zheng Ma Cun Gong Zi Di No. 0773, 0775 and 0776 issued by Chengmai County Government, the property with a total gross floor area of approximately 1,764.49 sq.m. has been vested to 28023; 21335; 20013; 28023; 33021; 28304; 20221; 26377; 38480; 20844; 21496;.
4. In the valuation of the property, we have attributed no commercial valuation to the property mentioned in note 3 which has not obtained title certificates under the name of Huaneng Group. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB3,111,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.
5. In the valuation of the property, we have attributed no commercial value to the remaining 102 buildings with a total gross floor area of approximately 182,735.35 sq.m. which have not obtained any title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB283,133,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
6. In valuation of the property, we have attributed no commercial value to the various structures which mainly include 2 docks (20,000 ton and 35,000 ton), roadway, coal shed, chimney and etc, thereon the land parcels nos. 1 – 21 mentioned in note 1. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the structures (excluding the land) as at the date of valuation would be RMB370,438,000.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. The 21 parcels of land are under application of the re-registration process, the property can be legally occupied and transferred by Haikou Power Plant of Huaneng Hainan Power Inc. if the re-registration process has been legally completed;
 - b. State-owned Land Use Rights Certificate No. 22 is legally held and can be legally occupied and transferred by Haikou Power Plant of Huaneng Hainan Power Inc.;
 - c. The title defect of the land parcel no. 23 will not affect the transaction and also no material impact for the operation after the completion of the transaction; and
 - d. The 105 numbers of building erected thereon the land parcel nos. 1 – 22, which are under application of Building Ownership Certificates. The property has the rights to occupied, used, transferred, leased or mortgaged by Haikou Power Plant of Huaneng Hainan Power Inc. if the Building Ownership Certificates are legally obtained.

8. A summary of major certificates/licenses provided by the Company are as follows:
- a. State-owned Land Use Rights Partial Certificate
 - b. Building Ownership Certificate Partial
 - c. Sea Area Use Rights Certificate Yes
 - d. Electric Power Business Licence Yes
9. As confirmed by Huaneng Group that there is no planning issues.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014 RMB
6.	Dianli Village (“村”) Located at No. 1 Qiuhai Road Longhua District Haikou City Hainan Province the PRC	The property comprises various usages of properties, such as residential units, car- parking space, student learning center, staff training center and etc. with a total gross floor area of approximately 7,084.23 sq.m. which completed in various stages between 1992 – 1998.	The property is currently occupied by the Huaneng Group for staff dormitory and staff training center.	No Commercial Value

Notes:

1. As informed by Huaneng Group, the Building Ownership Certificates have not yet been obtained.
2. In the valuation of this property, we have attributed no commercial value to the property which has not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB12,329,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. The title defect of the property will not affect the transaction and also no material impact for the operation after the completion of the transaction.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No. Property

7. Wenchang Wind Power Plant of Huaneng Hainan Power Inc.

(“華能海南 份 有限公司文昌产”)

Located at

The coastal Area

Puqian Town and Jinshan Town

Wenchang City

Hainan Province

the PRC

Notes:

1.

Pursuant to the State-owned Land Use Rights Certificates – Wen Guo Yong (2009) Di No. W2200803 issued by Wenchang Municipal Government dated 16th September 2009 has been allocated to Huaneng Hainan Power Inc. (“華能海南 份有限公司”) with the site area of approximately 95,759.62 sq.m. for transportation and energy facilities use.

2. In valuation of the property, we have attributed no commercial value to the 2 buildings with a total gross floor area of approximately 2,869.52 sq.m. which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB8,518,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

- a. the allocated land can be legally occupied by Huaneng Hainan Power Inc; and

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PROPERTY VALUATION REPORT

b. The 2 numbers of building are under application of Building Ownership Certificates. The property has the rights to occupied by Wenchang Wind Power Plant of Huaneng Hainan Power Inc. if the Building Ownership Certificates have been legally obtained.

4. A summary of major certificates/licenses provided by the Company are as follows:

a. State-owned Land Use Rights Certificate Yes

b. Building Ownership Certificate No

c. Electric Power Business Licence Yes

5. As confirmed by Huaneng Group that there is no major environmental and planning issues.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014 RMB
8. Room 503 – 506, 5th Floor, Block E World Trade Center (“世貿中心” No. 2 Shimao East Road Haikou City Hainan Province the PRC	The property comprises 4 residential units on 5th Floor within a 23-storey residential building which was completed in about 1994. The property has a gross floor area of approximately 728.74 sq.m.	The property is currently occupied by Huaneng Group for staff dormitory purpose.	5,392,000 (91.8% interest attributable to Huaneng Group: RMB4,950,000)

Notes:

1. Pursuant to the 4 numbers of Buildings Ownership Certificates – Hai Kou Shi Fang Quan Zheng Hai Fang Zi Di No. 39034 – 39037, issued by Haikou Municipal Government dated 27th September 2013 with a total gross floor area of approximately 728.74 sq.m. has been vested to Huaneng Hainan Power Inc. (“華能海南 份有限公司”) for residential use.
2. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. The 4 residential units can be legally occupied, used, leased, transferred or mortgaged by Huaneng Hainan Power Inc.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014 RMB
9. Rainbow Building ("24425;34425; 21414;") Located at East of Qiu Hai Road Avenue Haikou Province the PRC	The property comprises 3 parcels of land with a total site area of approximately 8,306.48 sq.m. and a 19-storey commercial buildings & a 8-storey residential buildings erected thereon which were completed in about 1992. The gross floor area of the property is approximately 16,809.98 sq.m. The property is held with the land use rights for a term expiring on 10th October 2058 for commercial use.	The property is currently vacant.	173,107,000 (91.8% interest attributable to Huaneng Group: RMB158,912,000)

Notes:

1. Pursuant to the 3 numbers of State-owned Land Use Rights Certificates – Hai Kou Shi Guo Yong (2014) Di No. 000093, 000097 and 000107, issued by Haikou Municipal Government dated 27th December 2013 has been granted to Huaneng Hainan Power Inc. ("33775;33021;28023;21335; 20221;26377;38480;20844;21496;") with the site area of approximately 8,306.48 sq.m. for a term expiring on 10th October 2058 for commercial use.
2. Pursuant to the 4 numbers of Stated-owned Buildings Ownership Certificates issued by Haikou Municipal Government has been vested to Huaneng Hainan Power Inc. ("33775;33021;28023;21335; 20221;26377; 38480;20844;21496;") for commercial and residential use, with the detail information as follows:

No. Certificates	Stated-owned Buildings Ownership	Date of Issuance	Usage	Gross Floor Area (sq.m.)	Registered Owner
i.	Hai Kou Shi Fang Quan Zheng Hai Fang Zi Di No. 43429	30-Sep-2013	Residential	3,170.14	33775;33021;28023;21335; 20221; 26377;38480;20844;21496;
ii.	Hai Kou Shi Fang Quan Zheng Hai	27-Sep-2013	Residential	94.77	33775;33021;28023;21335; 20221; 26377;38480;20844;21496;

Fang Zi Di
No.
HK023945

iii. Hai Kou Shi 27-Sep-2013 Residential 103.05 華能海南 份 有南
Fang Quan
Zheng Hai
Fang Zi Di
No.
HK023948

iv. Hai Kou Shi 27-Sep-2013 Commercial 13,442.02 華能海南 份 有南
Fang Quan
Zheng Hai
Fang Zi Di
No. 43437

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PROPERTY VALUATION REPORT

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. 3 parcels of the granted land and the building title of the 4 buildings thereon are legally held and can be legally occupied, used, transferred, leased or mortgaged by Huaneng Hainan Power Inc.
4. As confirmed by Huaneng Group that there is no major environmental and planning issues.

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VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy
10. Huaneng Hualiangting Hydropower Co., Ltd. (“華能花涼亭 有 限公司”) Located at Huatinghu Village Jinxi Town Taihu County Anqing City Anhui Province the PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 138,743.30 sq.m. and 25 buildings erected thereon which were mainly completed in the periods of 1973 – 1978 and 1987 – 1988.</p> <p>The buildings have a total gross floor area of approximately 13,897.45 sq.m. and mainly include 2 office buildings, 1 production building, 2 canteens, 2 dormitory buildings and 18 ancillary buildings.</p>	<p>The property is currently occupied by Huaneng Group as hydropower plant.</p>

There are 2 buildings are under construction in progress (CIP) and scheduled to be completed in December 2014.

The land use rights of the property has been allocated for hydropower construction use.

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PROPERTY VALUATION REPORT

Notes:

1. Pursuant to the 2 numbers State-owned Land Use Rights Certificates – Tai Tu Guo Yong (2012) Di No. 792 and 793 issued by Taihu County Government dated 6th July 2012 has been allocated to Huaneng Hualiangting Hydropower Co., Ltd. (“華能花涼亭 有限公司”) with the site area of approximately 138,743.30 sq.m. for hydropower construction use.
2. Pursuant to the 6 numbers of Building Ownership Certificates – Fang Di Quan Zheng Tai Hu Zi Di No. 171900, 171890, 171910, 171880, 171840 and 171870 issued by – Bureau of Real Estate Management of Taihu County dated 30th November 2012, the property with a total gross floor area of approximately 10,023.33 sq.m. has been vested to H u a n e n g H u a l i a n g t i n g H y d r o p o w e r C o . , L t d . (“華能花涼亭 有限公司”).
3. In valuation of the property, we have attributed no commercial value to the property mentioned in note 2 which erected thereon the land parcel mentioned in note 1. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB10,019,600 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
4. In valuation of the property, we have attributed no commercial value to the remaining buildings with a total gross floor area of approximately 3,874.12 sq.m. which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB1,652,700 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
5. As informed by the company that the construction works with accumulative construction cost of approximately RMB330,506 as at the date of valuation. We have not been provided with any permissions regarding construction work commencement, planning or development scale. Therefore, we have attributed no commercial value to the CIP. However, for reference purpose, we are of the opinion that the reference value of the CIP as at the date of valuation would be RMB330,506 assuming all relevant permissions have been obtained.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. 2 parcels of the allocated land and the building title of the 6 buildings of the property thereon can be legally occupied by Huaneng Hualiangting Hydropower Co., Ltd.;
 - b. 11 numbers of building mentioned in note 4, which are under the application of Building Ownership Certificates. The property has the rights to occupied by Huaneng Hualiangting Hydropower Co., Ltd. if the Building Ownership Certificates have been legally obtained; and
 - c. 5 numbers of building mentioned in note 4, which the title defect will not affect the transaction and also no material impact for the operation after the completion of the transaction.
7. A summary of major certificates/licenses provided by the Company are as follows:

- a. State-owned Land Use Rights Certificate Yes
- b. Building Ownership Certificate Partial
- c. Electric Power Business Licence Yes Yes

8. As confirmed by Huaneng Group that there is no major environmental and planning issues.

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PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No. Property	Description and tenure
<p>11. Huaneng Chaohu Power Generation Co., Ltd. (“&#33775;&#33021;&#24034;&#28246; &#26377;&#38480; &#36012;&#20219;&#20844;&#21496”) Located at Xiage Town Chaohu City Anhui Province the PRC</p>	<p>The property comprises 4 parcels of land with a total site area of approximately 784,105.00 sq.m. and various block of building erected thereon which were completed in about 2008.</p> <p>The buildings have a total gross floor area of approximately 51,316.86 sq.m. and mainly include 1 office building, 4 production buildings, 1 canteen, 1 dormitory building and 18 ancillary buildings.</p> <p>The ancillary structures mainly include railway, coal field, coal</p>

shed, chimney, boundary fences, boundary walls, cooling tower, water supply system and roadway etc.

There are 2 buildings are under construction in progress (CIP) and scheduled to be completed in December 2014.

The land use rights of the property has been granted and allocated for industrial use. The land use rights have been granted for a term expiring on 24th January 2061.

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Notes:

1. Pursuant to the State-owned Land Use Rights Certificates issued by Chaohu Municipal Government has been granted and allocated to Huaneng Chaohu Power Generation Co., Ltd. (“華能巢湖有限責任公司”) for industrial, transportation and energy facilities and electric facility use, with the detail information as follows:

No.	State-owned Land Use Right Certificates	Date of Issuance	Date of Expiry	Nature of the Land Use Right	Site Area (sq.m.)	Usage	Registered Owner
1.	Chao Ju Guo Yong (2009) Di No. 1726	24-Apr-2009	N/A	Allocated	447,172.00	Electric Facility	華能巢湖有限責任公司
2.	Chao Ju Guo Yong (2009) Di No. 1727	24-Apr-2009	N/A	Allocated	99,998.00	Electric Facility	華能巢湖有限責任公司
3.	Chao Ju Guo Yong (2009) Di No. 1750	16-Sep-2009	N/A	Allocated	212,144.00	Transportation and Energy Facilities	華能巢湖有限責任公司
4.	Chao Ju Guo Yong (2011) Di No. 2028	27-May-2011	24-Jan-61	Granted	24,791.00	Industrial	華能巢湖有限責任公司

2. Pursuant to the 28 numbers of Building Ownership Certificates issued by Chaohu Municipal Government, the building ownership of the property with a total gross floor area of approximately 51,316.87 sq.m. have been vested to Huaneng Chaohu Power Generation Co., Ltd. (“華能巢湖有限責任公司”) with details as follows:

No.	Building Ownership Date	Gross Floor Area (sq.m.)	Registered Owner
1.	Fang Di Quan Zheng Chao Hu Shi Zi Di No.	18-Aug-2014 4,849.68	華能巢湖有限責任公司

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	262543				
2.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262544	18-Aug-2014	6,564.24	華能巢湖	有限責任
3.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262542	18-Aug-2014	1,519.52	華能巢湖	有限責任
4.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262527	18-Aug-2014	115.29	華能巢湖	有限責任
5.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262511	18-Aug-2014	2,213.10	華能巢湖	有限責任
6.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262512	18-Aug-2014	625.00	華能巢湖	有限責任
7.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262513	18-Aug-2014	121.16	華能巢湖	有限責任
8.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262514	18-Aug-2014	584.80	華能巢湖	有限責任
9.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262515	18-Aug-2014	759.64	華能巢湖	有限責任
10.	Fang Di Quan	18-Aug-2014	841.80	華能巢湖	有限責任

	Zheng Chao Hu Shi Zi Di No. 262516			
11.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262517	18-Aug-2014	259.86	華能巢湖 有限責任
12.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262518	18-Aug-2014	1,650.60	華能巢湖 有限責任
13.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262519	18-Aug-2014	568.56	華能巢湖 有限責任
14.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262520	18-Aug-2014	15,397.50	華能巢湖 有限責任
15.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262521	18-Aug-2014	802.24	華能巢湖 有限責任
16.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262522	18-Aug-2014	1,131.00	華能巢湖 有限責任
17.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262523	18-Aug-2014	2,463.75	華能巢湖 有限責任
18.	Fang Di Quan Zheng Chao Hu Shi Zi Di No.	18-Aug-2014	2,215.94	華能巢湖 有限責任

	262524			
19.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262525	18-Aug-2014	386.90	華能巢湖 有限責任
20.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262526	18-Aug-2014	358.05	華能巢湖 有限責任
21.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262527	18-Aug-2014	305.25	華能巢湖 有限責任
22.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262528	18-Aug-2014	76.00	華能巢湖 有限責任
23.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262529	18-Aug-2014	76.00	華能巢湖 有限責任
24.	Fang Di Quan Zheng Chao Hu Shi Zi Di No. 262530	18-Aug-2014		