

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.

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**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

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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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Approval in Relation to Land for the Second Phase Construction of Daguangba Hydraulic and Hydropower (Irrigation Area) Project (Guangdong, Hainan, Hunan, Jiangxi, Shaanxi, Sichuan, Yunnan, Zhejiang, Inner Mongolia, Gansu, Qinghai, Ningxia, Tibet, Xinjiang, Shaanxi, Sichuan, Yunnan, Zhejiang, Inner Mongolia, Gansu, Qinghai, Ningxia, Tibet, Xinjiang) from the Ministry of Land and Resources. The relevant construction site will be provided to Gezhen Hydropower by way of allocation. Parcels of land parcel in aggregate of approximately 1,656,000 sq.m. held by Haikou Plant and Nanshan Plant are yet to pursue procedures for transferring ownership to them. Currently, the application for property ownership certificates in relation to the premises with total gross floor area of approximately 331,000 sq. m. owned by Haikou Plant, Dongfang Plant, Wenchang Plant, Gezhen Hydropower and Nanshan Plant of Hainan Power are yet to pursue. Currently, premises with total gross floor area of approximately 106 sq. m. owned by Nanshan Plant are yet to apply for transfer of ownership.

As for those lands of Hainan Power, of which the state-owned land use rights certificates are yet to pursue, the lands of Dongfang Plant and Haikou Plant are mainly auxiliary facilities lands, thus the schedule has been delayed; Gezhen Hydropower's schedule has been delayed since the certificate application work involves communication and coordination with three land administration departments due to its large size of reservoir land. As for those lands of Hainan Power, of which the state-owned land use rights certificates are yet to be transferred to its own, it is mainly because Hainan Power has not finished the changes of registration on relevant state-owned land use rights certificates immediately after changing the company's name or after transactions of mergers and acquisitions historically. As for those properties of Hainan Power, of which the ownership certificates are yet to pursue, it is mainly because of the delayed schedule due to incomplete procedures before construction of such properties. Huaneng Group has already requested Hainan Power to correct those ownership defects of lands and properties, and Hainan 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 Hainan Power after the Transfer.

Below are the litigations or arbitrations ongoing or pending by or against Hainan Power initiated by third parties: (1) a lawsuit against Dongfang Plant over compensation claims for damage to underwater facilities; (2) an arbitration case instituted by Hainan Power against an electromechanical equipment company over a purchase and sale contract; (3) four lawsuits instituted by Guangdong Nanyue Bank Co., Ltd. against Zhuhai Jindian Fuel Co., Ltd. over loan contract disputes, in which Hainan Power is listed as co-defendant due to its execution of the Coal Purchase and Sale Contract with Zhuhai Jindian Fuel Co., Ltd.; (4) two cases of assisting with the freezing of the accounts receivable by Zhuhai Jindian Fuel Co., Ltd. from Hainan Power; and (5) a lawsuit against Hainan Power over contractual disputes with Qinzhou Yongsheng Petrochemical Co., Ltd. If any judicial or arbitral authority of competent jurisdiction awards any damages or costs against Hainan Power in the said lawsuits or arbitrations or being executed by judicial authority according to law, Huaneng Group would promptly and indemnify the Company for the losses it incurs in accordance with the Transfer Agreements after Hainan Power pays the damages or costs as required. The Transfer Agreement further provides that if provision for the loss in relation to such 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 calculated on the basis of the balance after deducting the Provisioned Amount from the Actual Compensation Amount. If the Actual

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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)  $\times$  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.