

HUANENG POWER INTERNATIONAL INC  
Form 6-K  
August 10, 2010

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 August, 2010

(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  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

(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,  
4 Fuxingmennei Street,  
Xicheng District,  
Beijing, 100031 PRC

This Form 6-K consists of:

A circular on revised proposal regarding the issue of new A shares and new H shares connected transactions of Huaneng Power International, Inc. (the "Registrant"), made by the Registrant on August 6, 2010.

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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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Huaneng Power International, Inc.

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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REVISED PROPOSAL REGARDING THE  
ISSUE OF NEW A SHARES AND NEW H SHARES  
CONNECTED TRANSACTIONS

Financial adviser to Huaneng Power International, Inc.

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 1 to 30 of this circular. A letter from the Independent Board Committee of Huaneng Power International, Inc. is set out on pages 31 to 32 of this circular. A letter from Guotai Junan Capital containing its advice to the Independent Board Committee and the Independent Shareholders of Huaneng Power International, Inc. is set out on pages 33 to 64 of this circular.

The Company will convene the EGM at 2:00 p.m. on 10 September 2010 at the headquarters of the Company at Huaneng Building, 4 Fuxingmennei Street, Xicheng District, Beijing, the People's Republic of China and will convene the H Share Class Meeting at 2:45 p.m. on 10 September 2010 at the headquarters of the Company at Huaneng Building, 4 Fuxingmennei Street, Xicheng District, Beijing, the People's Republic of China. For details of the relevant notices, please refer to the Notices of the EGM and the H Share Class Meeting both dated 27 July 2010 published by the Company.

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If you intend to attend the EGM and H Share Class Meeting, you should complete and return the relevant reply slips in accordance with the instructions printed thereon as soon as possible.

Whether or not you are able to attend the EGM and H Share Class Meeting, you should complete and return the relevant 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 and H Share Class Meeting should you so wish.

6 August 2010

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## DEFINITIONS

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

“A Share Class Meeting”	the 2010 Second Class Meeting for holders of A Shares of the Company to be convened and held at 2:30 p.m. on 10 September 2010 at the headquarters of the Company at Huaneng, Building, 4 Fuxingmennei Street, Xicheng District, the PRC for the purpose of approving, among other things, the New Issue (Revised Proposal) and the New Issue Connected Transactions;
“A Shares”	the listed domestic shares in the ordinary share capital of the Company, with a par value of RMB1.00 each in the capital of the Company;
“ADSs”	American Depositary Shares, each representing the ownership of 40 H Shares, which are listed on the New York Stock Exchange Inc.;
“Articles of Association”	the articles of association of the Company;
“associates”	has the meaning ascribed to it in the Hong Kong Listing Rules;
“Board”	the board of directors of the Company;
“China” or “PRC”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Class Meetings”	collectively the A Share Class Meeting and the H Share Class Meeting;
“Company”, “HPI”, “we”, “us” or “our”	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);
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules;
“CSRC”	the China Securities Regulatory Commission;
“Director(s)”	the director(s) (including independent non-executive directors) of the Company;
“EGM”	the 2010 Second Extraordinary General Meeting of the Company to be convened and held at 2:00 p.m. on 10 September 2010 at the headquarters of the Company at Huaneng Building, 4 Fuxingmennei Street, Xicheng District, the PRC for the purpose of approving, among other things, the New Issue (Revised Proposal) and the New Issue Connected Transactions;

“Guotai Junan Capital”, Guotai Junan Capital Limited, a licensed corporation to carry on type 6  
“Independent Financial Adviser” (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  
New Issue (Revised Proposal) and the New Issue Connected  
Transactions (including the Subscription Agreements);

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“H Shares”	the overseas listed foreign invested shares in the ordinary share capital of the Company, with a par value of RMB1.00 each in the capital of the Company;
“H Share Class Meeting”	the 2010 Second Class Meeting for holders of H Shares of the Company to be convened and held at 2:45 p.m. on 10 September 2010 at the headquarters of the Company at Huaneng Building, 4 Fuxingmennei Street, Xicheng District, the PRC for the purpose of approving, among other things, the New Issue (Revised Proposal) and the New Issue Connected Transactions;
“HIPDC”	Huaneng International Power Development Corporation;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	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;
“Hua Neng HK”	China Hua Neng Group Hong Kong Limited;
“Huaneng Group”	China Huaneng Group;
“Independent Board Committee”	a committee of the Board established for the purpose of considering the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements), comprising Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng, the independent non-executive Directors of the Company who are independent to the New Issue (Revised Proposal) and the New Issue Connected Transactions;
“Independent Shareholders”	Shareholders other than Huaneng Group, Hua Neng HK and their respective associates, and who are not involved in, or interested in the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements);
“Latest Practicable Date”	2 August 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“New A Share Issue (Original Proposal)”	the placing of not exceeding 1.2 billion new A Shares of the Company to not more than 10 designated investors including Huaneng Group;
“New A Share Issue (Revised Proposal)”	the placing of not exceeding 1.5 billion new A Shares of the Company to not more than 10 designated investors including Huaneng Group;
“New H Share Issue (Original Proposal)”	the placing of not exceeding 400 million new H Shares of the Company to Hua Neng HK;

“New H Share Issue  
(Revised Proposal)”

the placing of not exceeding 500 million new H Shares of the Company  
to Hua Neng HK;

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“New Issue (Original Proposal)”	collectively, the New H Share Issue (Original Proposal) and the New A Share Issue (Original Proposal);
“New Issue (Revised Proposal)”	collectively the New H Share Issue (Revised Proposal) and the New A Share Issue (Revised Proposal);
“New Issue Connected Transactions”	collectively, the placing of new A Shares to Huaneng Group under the New A Share Issue (Revised Proposal) pursuant to the Original A Shares Subscription Agreement and the Supplemental Agreement to the A Shares Subscription Agreement, and the placing of new H Shares to Hua Neng HK under the New H Share Issue (Revised Proposal) pursuant to the Original H Shares Subscription Agreement and the Supplemental Agreement to the H Shares Subscription Agreement;
“Original A Shares Subscription Agreement”	the “A Shares subscription agreement of Huaneng Power International, Inc. and China Huaneng Group” signed on 15 January 2010 between the Company and Huaneng Group;
“Original H Shares Subscription Agreement”	the “H Shares subscription agreement dated of Huaneng Power International, Inc. and China Hua Neng Group H.K. Ltd.” signed on 15 January 2010 between the Company and Hua Neng HK;
“Price Determination Date”	27 July 2010;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shanghai Listing Rules”	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange;
“Shanghai Stock Exchange”	Shanghai Stock Exchange;
“Share(s)”	share(s) with a par value of RMB1.00 each in the Company, including A Shares and H Shares;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreements”	collectively, the Original H Shares Subscription Agreement, the Original A Shares Subscription Agreement, the Supplemental Agreement to the H Shares Subscription Agreement and the Supplemental Agreement to the A Shares Subscription Agreement;
“subsidiaries”	has the meaning ascribed to it in the Hong Kong Listing Rules;

“Supplemental Agreement  
to the A Shares  
Subscription Agreement”

the “Supplemental Agreement to the A Shares Subscription Agreement  
of Huaneng Power International, Inc. and China Huaneng Group” signed  
on 26 July 2010 between the Company and Huaneng Group;

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“Supplemental Agreement to the H Shares Subscription Agreement” the “Supplemental Agreement to the H Shares Subscription Agreement of Huaneng Power International, Inc. and China Hua Neng Group H.K. Ltd.” signed on 26 July 2010 between the Company and Hua Neng NK; and

“trading day” with respect to A Shares, means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities, and with respect to H Shares, means a day on which the Stock Exchange is open for dealing or trading in securities.

All amounts in RMB have been translated in HK\$ at the rate of HK\$1.00=RMB0.87256 in this circular for illustration purpose. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates at all. Certain figures expressed in this circular are the direct aggregation of the relevant figures. There may be slight variation due to the rounding up or down of the last digit.

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LETTER FROM THE BOARD

Directors:

Cao Peixi  
Huang Long  
Wu Dawei  
Huang Jian  
Liu Guoyue  
Fan Xiaxia  
Shan Qunying  
Xu Zujian  
Huang Mingyuan  
Liu Shuyuan

Legal Address:

West Wing, Building C  
Tianyin Mansion  
No. 2C  
Fuxingmennan Street  
Xicheng District  
Beijing 100031  
PRC

Independent Non-executive Directors:

Liu Jipeng  
Yu Ning  
Shao Shiwei  
Zheng Jianchao  
Wu Liansheng

6 August 2010

To the Shareholders

Dear Sir or Madam,

REVISED PROPOSAL REGARDING THE ISSUE OF NEW A SHARES  
AND NEW H SHARES CONNECTED TRANSACTIONS

1. INTRODUCTION

The New A Share Issue (Original Proposal) and the New H Share Issue (Original Proposal) were approved at the 8th Meeting of the Sixth Session of the Board on 15 January 2010 and the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting for Holders of A Shares and the 2010 First Class Meeting for Holders of H Shares on 16 March 2010, respectively. Due to the changes in the market environment, the Company has decided to proceed with the revision to the New A Share Issue (Original Proposal) and the New H Share Issue (Original Proposal) (comprising mainly the adjustments to the lowest subscription price for the new A Shares, the subscription price for the new H Shares and the maximum number shares to be issued out of the New Issue (Revised Proposal)). On 27 July 2010, the Board made an announcement (“Announcement”) in relation to the New Issue (Revised Proposal) and the New Issue Connected Transactions. As stated in the Announcement, the Company shall issue a circular to the Shareholders containing further information of the New Issue (Revised Proposal) and the New Issue Connected Transactions.

In accordance with the Articles of Association, the Hong Kong Listing Rules and applicable rules and regulations in the PRC, the New Issue (Revised Proposal) constitutes a variation of class rights of the holders of A Shares and the holders of H Shares. Therefore, the New Issue (Revised Proposal) is subject to approvals of Independent Shareholders by way of special resolutions at a general meeting and separate class meetings. Huaneng Group, Hua Neng HK and

their associates will abstain from voting at the EGM and Class Meetings.

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Under the Hong Kong Listing Rules, the New Issue Connected Transactions (including the Subscription Agreements) also require Independent Shareholders' approvals by way of special resolutions at a general meeting and separate class meetings. Huaneng Group, Hua Neng HK and their associates will abstain from voting at the EGM and Class Meetings.

To comply with the requirements of the Hong Kong Listing Rules, the Independent Board Committee of the Company will advise the Independent Shareholders in connection with the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements). The letter from the Independent Board Committee to the Independent Shareholders is included in this circular. Guotai Junan Capital 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 terms in respect of the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) and whether the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) are in the interests of the Company and its shareholders as a whole. The letter of advice from Guotai Junan Capital 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 New Issue (Revised Proposal) and the New Issue Connected Transactions;
- (ii) to set out the letter of advice from Guotai Junan Capital to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee as advised by Guotai Junan Capital; and
- (iii) to seek your approval of, among other things, the special resolutions in relation to the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements), which are set out in the notices of the EGM and the H Share Class Meeting. For details of the relevant notices, please refer to the Notices of the EGM and the H Share Class Meeting both dated 27 July 2010 published by the Company.

## 2. RELATIONSHIPS BETWEEN THE COMPANY, HUANENG GROUP AND HUA NENG HK

The Company and its subsidiaries mainly develop, construct, operate and manage large-scale power plants in China nationwide. It is one of the largest listed electricity power suppliers in China. As at 31 December 2009, the installed capacity on an equity basis of the Company was 45,340MW and the controlled installed capacity was 48,548MW.

Huaneng Group is principally engaged in the operation and management of enterprise investment; the development, investment, construction, operation and management of power source; organizing the generation and sale of power (and heat); and the development, investment, construction, production and sale of products in relation to information, transportation, new energy and environmental protection industries and related products.

Hua Neng HK is a wholly owned subsidiary of Huaneng Group and is principally engaged in investment, construction, management, development and holding of power plants and other energy related projects.

At present, Huaneng Group holds a 8.75% direct interest in the Company; HIPDC (Huaneng Group holds a 51.98% direct interest and 5% indirect interest in HIPDC) holds 42.03% of the total issued share capital of the Company. Hua Neng HK holds 0.17% interest in the Company.





The relationships between the Company, Huaneng Group and Hua Neng HK are illustrated as follows:

\*Huaneng Group, through Hua Neng HK, indirectly holds a 100% interest in Pro-Power Investment Limited while Pro-Power Investment Limited holds a 5% interest in HIPDC. Accordingly, Huaneng Group indirectly holds 5% interest in HIPDC.

# The 0.17% total issued shares of the Company held by Hua Neng HK are H Shares.

According to the Hong Kong Listing Rules, Huaneng Group and Hua Neng HK are connected persons of the Company, and accordingly, the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) by the Company to Huaneng Group and Hua Neng HK, respectively, constitute connected transactions of the Company.

### 3. APPROVAL FROM THE BOARD FOR THE NEW ISSUE (REVISED PROPOSAL) AND THE KEY DIFFERENCES BETWEEN THE NEW ISSUE (ORIGINAL PROPOSAL) AND THE NEW ISSUE (REVISED PROPOSAL)

The New A Share Issue (Original Proposal) and the New H Share Issue (Original Proposal) were approved at the 8th Meeting of the Sixth Session of the Board on 15 January 2010 and the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting for Holders of A Shares and the 2010 First Class Meeting for Holders of H Shares on 16 March 2010, respectively. Due to the changes in the market environment, the Company has decided to proceed with the revision to the New A Share Issue (Original Proposal) and the New H Share Issue (Original Proposal) (comprising mainly the adjustments to the lowest subscription price for the new A Shares, the subscription price for the new H Shares and the maximum number of shares to be issued out of the New Issue (Revised Proposal)).

For the purpose of issuing the new A Shares and the new H Shares, the Company had entered into the Original A Shares Subscription Agreement, the Supplemental Agreement to the A Shares Subscription Agreement, the Original H Shares Subscription Agreement and the Supplemental Agreement to the H Shares Subscription Agreement with Huaneng Group and Hua Neng HK, respectively.

Pursuant to the Shanghai Listing Rules and Rule 14A.56(9) of the Hong Kong Listing Rules, Messrs Cao Peixi, Huang Long, Wu Dawei, Huang Jian, Liu Guoyue and Fan Xiaxia, all being directors of the Board of the Company having a material interest in the New Issue (Revised Proposal), had abstained from voting on the board resolutions relating to the New Issue (Revised Proposal) and the New Issue Connected Transactions. The resolutions were voted by directors who are not connected to the transactions.

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Pursuant to the New Issue (Revised Proposal), the Company would issue not exceeding 1,500 million new A Shares by way of placement to not more than 10 designated investors including Huaneng Group. The total shares to be issued will be decided by the Company and the lead underwriter of the issue of new A Shares, depending on the subscription rate by the designated investors. If the total shares to be issued under the New A Share Issue (Revised Proposal) amounts to 1,500 million shares, 500 million new A Shares will be issued to Huaneng Group, with the remaining 1,000 million new A Shares to be issued to other designated investors. If for whatever reason the total shares to be issued out of the valid subscription of the New A Share Issue (Revised Proposal) to other designated investors are less than 1,000 million shares, the number of A Shares to be issued to Huaneng Group shall correspondingly be adjusted on a pro rata basis. Based on the subscription price per new A Share of not less than RMB5.57 and on the assumption that Huaneng Group shall subscribe for 500 million new A Shares pursuant to the New A Share Issue (Revised Proposal), the consideration in aggregate will be not less than RMB2,785 million. Concurrently, if the total shares to be issued under the New A Share Issue (Revised Proposal) amounts to 1,500 million shares, then the Company shall issue 500 million new H Shares to Hua Neng HK. If the total shares to be issued under the New A Share Issue (Revised Proposal) are less than 1,500 million, the number of H Shares to be issued out of the New H Share Issue (Revised Proposal) shall correspondingly be adjusted on a pro rata basis. Based on the subscription price of HK\$4.73 per new H Share and on the assumption that Hua Neng HK shall subscribe for 500 million new H Shares pursuant to the New H Share Issue (Revised Proposal), the consideration in aggregate shall be HK\$2,365 million (approximately RMB2,064 million). Issuance under the the New A Share Issue (Revised Proposal) shall take place at the right timing within 6 months from obtaining the necessary approvals from the CSRC.

Pursuant to the New Issue (Original Proposal), the Company would issue not exceeding 1,200 million new A Shares by way of placement to not more than 10 designated investors including Huaneng Group. If the total shares issued under the New A Share Issue (Original Proposal) amounts to 1,200 million shares, 400 million new A Shares of which shall be issued to Huaneng Group, with the remaining 800 million new A Shares to be issued to other designated investors. If for whatever reason the total shares to be issued out of the valid subscription of the New A Share Issue (Original Proposal) to other designated investors are less than 800 million shares, then the number of A Shares to be issued to Huaneng Group shall correspondingly be adjusted on a pro rata basis. Based on the subscription price per new A Share of not less than RMB7.13 and on the assumption that Huaneng Group shall subscribe for 400 million new A Shares pursuant to the New A Share Issue (Original Proposal), the consideration in aggregate will be not less than RMB2,852 million. If the total shares issued under the New A Share Issue (Original Proposal) amounts to 1,200 million shares, then the Company shall issue 400 million new H Shares to Hua Neng HK. If the total shares issued under the New A Share Issue (Original Proposal) are less than 1,200 million, then the number of H Shares to be issued out of the New H Share Issue (Original Proposal) will correspondingly be adjusted on a pro rata basis. Based on the subscription price of HK\$4.97 per new H Share and on the assumption that Hua Neng HK shall subscribe for 400 million new H Shares pursuant to the New H Share Issue (Original Proposal), the consideration in aggregate shall be HK\$1,988 million (approximately RMB1,749.44 million).

On obtaining the approvals to the New Issue (Revised Proposal) and the New Issue Connected Transactions at the EGM and the Class Meetings, the New Issue (Revised Proposal) and the New Issue Connected Transactions shall supersede the New Issue (Original Proposal) and the New Issue Connected Transactions prior to the adjustments passed at the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting for Holders of A Shares and the 2010 First Class Meeting for Holders of H Shares. The New Issue (Revised Proposal) and the New Issue Connected Transactions shall be effective for 12 months from the date on which the New Issue (Revised Proposal) and the New Issue Connected Transactions are passed at the EGM and the Class Meetings.

4. NEW A SHARE ISSUE (REVISED PROPOSAL)

4.1 Subscription of New A Shares by Huaneng Group

A. Brief particulars of the Original A Shares Subscription Agreement are as follows:

Parties

- (1) The Company, as the issuer.
- (2) Huaneng Group, as the subscriber.

Subscription of new A Shares

The Company agreed to issue to Huaneng Group and Huaneng Group agreed to subscribe for 400 million new A Shares of the Company. If for whatever reason the aggregate number of shares to be issued out of the valid subscription of the issue of new A Shares to other designated investors is less than 800 million shares, then the number of A Shares to be issued to Huaneng Group shall correspondingly be adjusted on a pro rata basis. The calculation shall be as follows:

$$\begin{array}{rcccl} & & & \text{Aggregate number of} & \\ & & & \text{shares to be issued out of the} & \\ & & & \text{valid subscription of} & \\ & & & \text{the issue of new A Shares} & \\ & & & \text{to other investors} & \\ \text{Number of new} & & & & \\ \text{A Shares to be} & = & 400 \text{ million} & \times & \\ \text{issued} & & \text{shares} & & \\ & & & & 800 \text{ million shares} \end{array}$$

Subscription price per new A Share

The subscription price per new A Share pursuant to the issue of new A Shares shall be not less than RMB7.13, i.e. not less than 90% of the average trading price (Note 2) per A Share as quoted on the Shanghai Stock Exchange for the twenty trading days immediately prior to the Price Determination Date (Note 1). The subscription price per new A Share in concrete terms shall be ascertained on the book-building basis following the obtaining of the approvals for the issue of new shares from the CSRC, i.e. it will be decided by the Company and the lead underwriter of the issue of new A Shares, depending on the subscription rate by other investors pursuant to the issue of new A Shares and the principle of priority in pricing. Huaneng Group will not participate in the quotation of the book-building process for the issue of new A Shares the subscription price of Huaneng Group shall be the same as that of other investors who have participated in the issue of new A Shares. If the Company carries out any distribution of equity interest, conversion of shares from reserve fund or placing having the effect of ex-rights, ex-dividend, etc. prior to the closing of the issue of new shares, then the abovementioned lowest subscription price per Share and the maximum number of shares to be issued shall be adjusted correspondingly.

Note 1: The “Price Determination Date” as referred to in the Original A Shares Subscription Agreement was the date on which the announcement relating to the 8th Meeting of the Sixth Session of the Board was published, i.e. 18 January 2010

Note 2: Calculation of = Aggregate amount of A Shares traded

the average on the Shanghai Stock Exchange for the  
trading price twenty trading days  
of the Company's immediately prior to the Price  
A Shares Determination Date  
for the twenty  
trading days Aggregate number of A Shares traded  
immediately prior on the Shanghai Stock Exchange for the  
to the twenty trading days  
P r i c e immediately prior to the Price  
Determination Date. Determination Date.  
Date

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#### Aggregate subscription amount

The aggregate subscription amount by Huaneng Group in the issue of new A Shares shall be the product of the subscription price per new A Share and the number of the A Shares subscribed for by Huaneng Group.

#### Conditions precedent

The completion obligation under the Original A Shares Subscription Agreement shall arise upon the satisfaction or proper waiver of the following conditions precedent:

1. upon the obtaining of the approvals from the Independent Shareholders at EGM and Class Meeting regarding the issue of new A Shares, the approval regarding the issue of new A Shares from the CSRC and the approvals from the relevant government authorities on the related matters regarding the issue of new A Shares as detailed by the Original A Shares Subscription Agreement;
2. all conditions precedent contained in the Original H Shares Subscription Agreement have been satisfied or properly waived;
3. the Company is satisfied with the result of the book-building for issue of new A Shares (including the final subscription price per share and the number of shares to be issued);
4. the relevant government authorities have not issued, promulgated or implemented any law, regulations, rules, guidance, order or notice prohibiting the completion of the transactions contemplated under the Original A Shares Subscription Agreement;
5. representations and warranties made by Huaneng Group in the Original A Shares Subscription Agreement are true and accurate in all material respects and Huaneng Group has fulfilled in all material respects its obligations under the Original A Shares Subscription Agreement; and
6. representations and warranties made by the Company in the Original A Shares Subscription Agreement are true and accurate in all material respects and the Company has fulfilled in all material respects its obligations under the Original A Shares Subscription Agreement.

#### Completion

Completion shall be take place on the seventh business day following the last conditions precedent contained in the Original A Shares Subscription Agreement is satisfied (or properly waived), or on any other date as agreed by Huaneng Group and the Company (but shall not be earlier than the date on which all the conditions precedent are satisfied or properly waived). The Company and Huaneng Group shall attend to and complete the relevant business administration registration procedures after completion of the issue of new A Shares.

#### Lock-up period

Huaneng Group shall not deal in or dispose of any of the new A Shares subscribed by it pursuant to the issue of new A Shares within a period of 36 months from the completion of the issue of new A Shares.

- B. Brief particulars of the Supplemental Agreement to the A Shares Subscription Agreement are as follows:

#### Parties

- (1) The Company, as the issuer.
  - (2) Huaneng Group, as the subscriber.
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Adjustment to the number of new A Shares to be issued

The Company agreed to issue to Huaneng Group and Huaneng Group agreed to subscribe for 500 million new A Shares of the Company. Such new A Shares shall not attach with any other rights. If for whatever reason the aggregate number of shares to be issued out of the valid subscription of the issue of new A Shares to other designated investors is less than 1,000 million shares, then the number of A Shares to be issued to Huaneng Group shall correspondingly be adjusted on a pro rata basis. The calculation shall be as follows:

$$\begin{array}{r} \text{Number of new A} \\ \text{Shares} \\ \text{to be issued} \end{array} = \begin{array}{r} 500 \text{ million} \\ \text{shares} \end{array} \times \begin{array}{r} \text{Aggregate number} \\ \text{of shares to be issued out of} \\ \text{the valid subscription of} \\ \text{the issue of new A Shares} \\ \text{to other investors} \\ 1,000 \text{ million shares} \end{array}$$

Adjustment to the subscription price per new A Share

The Price Determination Date for the new A Shares shall be adjusted to the date of publication of the announcement regarding the resolutions of the Board of the Company on which the proposal on the adjustments to the issue of new shares was considered and approved (i.e. 27 July 2010). The subscription price per new A Share shall be not less than 90% (i.e. not less than RMB5.57 per new A Share) of the average trading price (Note 3) per A Share as quoted on the Shanghai Stock Exchange for the twenty trading days immediately prior to the Price Determination Date. The subscription price per new A Share in concrete terms shall be ascertained on the bidding basis following the obtaining of the approvals for the issue of new shares from the CSRC, i.e. it will be decided by the Company and the lead underwriter of the issue of new A Shares, depending on the subscription rate by other investors pursuant to the issue of new A Shares and the principle of priority in pricing. Huaneng Group will not participate in the bidding process for the issue of new A Shares and the subscription price of Huaneng Group shall be the same as that of other investors who have participated in the issue of new A Shares. If the Company carries out any distribution of equity interest, conversion of shares from reserve fund or placing having the effect of ex-rights, ex-dividend, etc. prior to the closing of the issue of new shares, then the abovementioned lowest subscription price per Share and the maximum number of shares to be issued shall be adjusted correspondingly.

$$\begin{array}{r} \text{Note 3: Calculation of} \\ \text{the average} \\ \text{trading price} \\ \text{of the Company's} \\ \text{A Shares} \\ \text{for the twenty} \\ \text{trading days} \\ \text{immediately prior} \\ \text{to the} \\ \text{P r i c e} \\ \text{D e t e r m i n a t i o n} \\ \text{D a t e} \end{array} = \begin{array}{r} \text{Aggregate amount of A Shares traded} \\ \text{on the Shanghai Stock Exchange for the twenty} \\ \text{trading days immediately prior to the Price} \\ \text{Determination Date} \\ \\ \text{Aggregate number of A Shares traded} \\ \text{on the Shanghai Stock Exchange for the twenty} \\ \text{trading days} \\ \text{immediately prior to the Price Determination} \\ \text{Date} \end{array}$$

Adjustment to the “Conditions precedent” to closing



The Company and Huaneng Group agreed to delete the abovementioned condition 3 - “the Company is satisfied with the result of the book-building for New A Share Issue (including the final subscription price per share and the number of shares to be issued)” - from the “Conditions precedent” to closing.

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Assuming Huaneng Group will subscribe for 500 million new A Shares, such new A Shares will represent approximately 5.55% of the existing issued share capital of the A Shares of the Company, approximately 4.76% of the issued share capital of the A Shares of the Company as enlarged by the issue of the new A Shares and approximately 3.55% of the Company's enlarged issued share capital after completion of the New Issue (Revised Proposal). Immediately after completion of the New Issue (Revised Proposal) and taking into account the aggregate of 6,121,786,667 A Shares already held by Huaneng Group (directly, and indirectly through HIPDC) (representing approximately 68.02% of the existing issued share capital of the A Shares of the Company), Huaneng Group (directly, and indirectly through HIPDC) will hold an aggregate of not more than 6,621,786,667 A Shares, representing approximately 63.06% of the issued share capital of A Shares of the Company as enlarged by the issue of the new A Shares and approximately 47.11% of the Company's enlarged issued share capital after completion of the New Issue (Revised Proposal). Based on the subscription price per new A Share of not less than RMB5.57 and on the assumption that Huaneng Group shall subscribe for 500 million new A Shares, the consideration in aggregate will be not less than RMB2,785 million.

The Company will make further announcement regarding the net subscription price of each new A Share when the expenses of the New Issue (Revised Proposal) are ascertained.

#### 4.2 Subscription by other investors

The parties participating in the New A Share Issue (Revised Proposal) will consist of not more than 10 designated investors including Huaneng Group. Apart from Huaneng Group, the Company has not yet entered into any agreement with any investors with respect to the New A Share Issue (Revised Proposal). Accordingly, the identities of the other designated investors and the number of A Shares to be subscribed by them under the New A Share Issue (Revised Proposal) can only be ascertained when the Company has, pursuant to the rules prescribed by the CSRC, obtained the approvals for the New A Share Issue (Revised Proposal) and completed the bidding process. The subscription price for the new A Shares shall be the same subscription price for the new A Shares subscribed by Huaneng Group.

If, after ascertaining the identities of other designated investors under the New A Share Issue (Revised Proposal), it is known that such designated investor(s) is/are connected person(s) to the Company under the Hong Kong Listing Rules, the Company shall comply with the relevant requirements of information disclosure and (if required) obtaining of approval from Independent Shareholders as per the Hong Kong Listing Rules.

Designated investors shall not deal in or dispose of any of the new A Shares subscribed by each of them pursuant to the New A Share Issue (Revised Proposal) within a period of 12 months from the completion of the New A Share Issue (Revised Proposal).

### 5. NEW H SHARE ISSUE (REVISED PROPOSAL)

#### 5.1 Subscription of new H Shares by Hua Neng HK

A. Brief particulars of the Original H Shares Subscription Agreement are as follows:

Parties

- (1) The Company, as the issuer.
- (2) Hua Neng HK, a wholly-owned subsidiary of Huaneng Group, as the subscriber.



Subscription of new H Shares

The Company agreed to issue to Hua Neng HK and Hua Neng HK agreed to subscribe for 400 million new H Shares of the Company while in any event the issue size shall not exceed the number as approved by the CSRC. If the aggregate number of shares to be issued out of the issue of new A Shares is less than 1,200 million shares, then the number of H Shares to be issued to Hua Neng HK shall correspondingly be adjusted on a pro rata basis. The calculation shall be as follows:

$$400 \text{ million shares} \times \frac{\text{Aggregate number of actual shares to be issued out of the issue of new A Shares}}{1,200 \text{ million shares}}$$

Subscription price per new H Share

The subscription price per new H share pursuant to the issue of new H Shares shall be the higher of the average trading price (Note 5) per H share as quoted on the Stock Exchange for the twenty trading days immediately prior to the Price Determination Date (i.e. HK\$4.46) (Note 4) or the closing price per H Share on the last trading day as quoted on the Stock Exchange immediately prior to the Price Determination Date (i.e. HK\$4.73), with a share price premium of 5% (i.e. at HK\$4.97 per new H Share). If the Company carries out any distribution of equity interest, conversion of shares from reserve fund or placing having the effect of ex-rights, ex-dividend, etc. prior to the closing of the issue of new share, then the abovementioned lowest subscription price per new H Share and the maximum number of new H Shares to be issued shall be adjusted correspondingly.

Note 4: The “Price Determination Date” as referred to in the Original H Shares Subscription Agreement was the date on which the announcement relating to the 8th Meeting of the Sixth Session of the Board was published, i.e. 18 January 2010.

Note 5: Average trading price of the Company’s H shares for the twenty trading days immediately prior to the Price Determination Date	=	Aggregate amount of H Shares traded on the Stock Exchange for the twenty trading days immediately prior to the Price Determination Date
		Aggregate number of H Shares traded on the Stock Exchange for the twenty trading days immediately prior to the Price Determination Date

Aggregate subscription amount

The aggregate subscription amount by Hua Neng HK in the issue of new H Shares shall be the product of the subscription price per new H Share and the number of the H Shares subscribed for by Hua Neng HK.

Conditions precedent

The completion obligation under the Original H Shares Subscription Agreement shall arise upon the satisfaction or proper waiver of the following conditions precedent:

1. upon the obtaining of the approvals from the Independent Shareholders at EGM and Class Meeting regarding the issue of new H Shares, the approval regarding the issue of new H Shares from the CSRC, the approval from the Listing Committee of the Stock Exchange relating to the trading of and the dealing in H Shares pursuant to the issue of new H Shares and the approvals from the relevant government authorities on the related matters regarding the issue of new H Shares as detailed by the Original H Shares Subscription Agreement;
  2. all conditions precedent contained in the Original A Shares Subscription Agreement have been satisfied or properly waived;
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3. the relevant government authorities have not issued, promulgated or implemented any law, regulations, rules, guidance, order or notice prohibiting the completion of the transaction contemplated under the Original H Shares Subscription Agreement;
4. representations and warranties made by Hua Neng HK in the Original H Shares Subscription Agreement are true and accurate in all material respects and Hua Neng HK has fulfilled in all material respects its obligations under the Original H Shares Subscription Agreement; and
5. representations and warranties made by the Company in the Original H Shares Subscription Agreement are true and accurate in all material respects and the Company has fulfilled in all material respects its obligations under the Original H Shares Subscription Agreement.

#### Completion

Completion shall be take place on the seventh business day following the last conditions precedent contained in the Original H Shares Subscription Agreement is satisfied (or properly waived), or on any other date as agreed by Huaneng Group and the Company (but shall not be earlier than the date on which all the conditions precedent are satisfied or properly waived). The Company and Hua Neng HK shall attend to and complete the relevant business administration registration procedures after completion of the issue of new H Shares.

#### Lock-up period

Hua Neng HK shall not deal in or dispose of any of the new H Shares subscribed by it pursuant to the issue of new H Shares within a period of 12 months from the completion of the issue of new H Shares.

B. Brief particulars of the Supplemental Agreement to the H Shares Subscription Agreement are as follows:

#### Parties

- (1) The Company, as the issuer.
- (2) Hua Neng HK, as the subscriber.

#### Adjustment to the number of new H Shares to be issued

The Company agreed to issue to Hua Neng HK and Hua Neng HK agreed to subscribe for 500 million new H Shares of the Company while in any event the issue size shall not exceed the number as approved by the CSRC. If the aggregate number of shares to be issued out of the issue of new A Shares is less than 1,500 million shares, then the number of H Shares to be issued to Hua Neng HK shall correspondingly be adjusted on a pro rata basis. The calculation shall be as follows:

$$500 \text{ million shares} \times \frac{\text{the aggregate number of actual shares to be issued out of the issue of new A Shares}}{1,500 \text{ million shares}}$$



Adjustment to the subscription price per new H Share

The Price Determination Date for the new H Shares shall be adjusted to the date of publication of the announcement regarding the resolutions of the Board of the Company on which the proposal on the adjustments to the issue of new shares was considered and approved (i.e. 27 July 2010). The subscription price per new H share pursuant to the issue of new H Shares shall be based on the average trading price per H share as quoted on the Stock Exchange for the twenty trading days immediately prior to the Price Determination Date (i.e. HK\$4.59) (Note 6), with a share price premium of 3% (i.e. at HK\$4.73 per new H Share). If the Company carries out any distribution of equity interest, conversion of shares from reserve fund or placing having the effect of ex-rights, ex-dividend, etc. prior to the closing of the issue of new shares, then the abovementioned subscription price per new H Share and the number of new H Shares to be issued shall be adjusted correspondingly.

Note 6:	Average trading price of the Company's H shares for the twenty trading days immediately prior to the Price Determination Date	Aggregate amount of H Shares traded on the Stock Exchange for the twenty trading days immediately prior to the Price Determination Date
	Aggregate number of H Shares traded on the Stock Exchange for the twenty trading days immediately prior to the Price Determination Date	

For reference only, the subscription price per new H Share (HK\$4.73) represents:

- (a) a premium of approximately 4.88% over the closing price of HK\$4.51 per H Share quoted on the Stock Exchange on 26 July 2010;
- (b) a premium of approximately 3.73% over the average closing price of HK\$4.56 per H Share as quoted on the Stock Exchange for the five trading days immediately prior to 26 July 2010 (inclusive of 26 July 2010);
- (c) a premium of approximately 3.73% over the average closing price of HK\$4.56 per H Share as quoted on the Stock Exchange for the ten trading days immediately prior to 26 July 2010 (inclusive of 26 July 2010);
- (d) a premium of approximately 3.50% over the average closing price of HK\$4.57 per H Share as quoted on the Stock Exchange for the fifteen trading days immediately prior to 26 July 2010 (inclusive of 26 July 2010); and
- (e) a premium of approximately 3.28% over the average closing price of HK\$4.58 per H Share as quoted on the Stock Exchange for the twenty trading days immediately prior to 26 July 2010 (inclusive of 26 July 2010).

After ascertaining the expenses of the New Issue (Revised Proposal), the Company will make further announcement regarding the net subscription price of each new H Share.

Assuming Hua Neng HK will subscribe for 500 million new H Shares, those Shares shall represent approximately 16.36% of the existing issued share capital of H Shares of the Company, approximately 14.06% of the issued share capital of H Shares of the Company as enlarged by the issue of the new H Shares and approximately 3.55% of the Company's enlarged issued share capital after completion of the New Issue (Revised Proposal). Immediately after completion of the New Issue (Revised Proposal), and taking into account the 20,000,000 H Shares already held by



Hua Neng HK (representing approximately 0.65% of the existing issued share capital of H Shares of the Company), Huaneng Group will, directly and indirectly hold an aggregate of 520,000,000 Shares, representing approximately 14.62% of the issued share capital of H Shares of the Company as enlarged by the issue of the new H Shares and approximately 3.70% of the Company's enlarged issued share capital after completion of the New Issue (Revised Proposal). Based on the subscription price of HK\$4.73 per new H Share and on the assumption that Hua Neng HK shall subscribe for 500 million new H Shares, the consideration in aggregate shall be HK\$2,365 million (approximately RMB2,064 million).

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Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, all the new H Shares.

**WARNING:** The New Issue (Revised Proposal) is a possibility only. Completion of the New Issue (Revised Proposal) is conditional upon the fulfillment of certain conditions under the Subscription Agreements as mentioned above. Accordingly, the Subscription Agreements may or may not be completed and the New Issue (Revised Proposal) may or may not proceed. Potential investors and Shareholders are therefore advised to exercise caution when dealing in the securities of the Company.

The New A Share Issue (Revised Proposal) and the New H Share Issue (Revised Proposal) are inter-conditional upon each other, i.e. they will not be implemented if the approvals by the general meeting, class meetings and the CSRC cannot be obtained or the relevant government authorities have declined to grant their approvals to the matters relating to either the New A Share Issue (Revised Proposal) or the New H Share Issue (Revised Proposal).

6. **RANKING OF NEW SHARES TO BE ISSUED**

The new A Shares to be issued pursuant to the New A Share Issue (Revised Proposal) will rank, upon issue, pari passu in all respects with the A Shares in issue at the time of issue and allotment of such new A Shares.

The new H Shares to be issued pursuant to the New H Share Issue (Revised Proposal) will rank, upon issue, pari passu in all respects with the H Shares in issue at the time of issue and allotment of such new H Shares.

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## 7. SHAREHOLDING STRUCTURE OF THE COMPANY

Shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the New Issue (Revised Proposal) (assuming Huaneng Group and Hua Neng HK each subscribed for 500 million new A Shares and 500 million new H Shares, respectively, and the other designated investors (not exceeding 9 investors in total) have fully paid up the subscription price of the 1,000 million new A shares):

	Huaneng Group (A Shares)	Hua Neng HK (H Shares)	Designated investors participating in the A Share New Issue (Revised Proposal)* (i.e. Designated Investors excluding Huaneng Group) (A Shares)	Public (A Shares)	Public (H Shares)	Total
Number of Shares held as at the Latest Practicable Date	6,121,786,667	20,000,000	—	2,878,213,333	3,035,383,440	12,055,383,440
% to the existing total issued share capital of the Company as at the Latest Practicable Date	50.78%	0.17%	—	23.87%	25.18%	100%
Number of new H Shares / A Shares held	500,000,000	500,000,000	1,000,000,000	—	—	2,000,000,000#
Number of Shares held immediately after completion of the New Issue (Revised Proposal)	6,621,786,667	520,000,000	—	3,878,213,333	3,035,383,440	14,055,383,440

% to the total issued enlarged share capital of the Company immediately after completion of the New Issue ( R e v i s e d Proposal)	47.11%	3.70%	—	27.59%	21.60%	100%
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\* Assuming the designated investors do not hold any Shares of the Company and are independent third parties not connected to the Company and its connected persons.

# The number of new H Shares and new A Shares represent approximately 16.59% of the existing issued share capital of the Company as at the Latest Practicable Date.

## 8. PURPOSE AND IMPACT OF THE NEW ISSUE (REVISED PROPOSAL) AND RISK FACTORS RELATING TO THE COMPANY

(Figures expressed in this paragraph are under the PRC GAAP)

### 8.1 Purpose of the New Issue (Revised Proposal)

As a listed company whose shares are listed on the stock exchanges in Shanghai, Hong Kong and New York, the Company has since its establishment been dedicating to creating long-term, stable and growing returns for its shareholders and providing society with sufficient, reliable, environment-friendly power. Throughout the years, the Company has been insisting on the strategy of green-field development and acquisition. The Company has grown rapidly in its scale of installation capacity and total assets. By 31 December 2009, the equity-based installed capacity was 45,340MW and the controlled installed capacity 48,548MW. The total assets, on a consolidated basis, amounted to RMB193.997 billion and the total liabilities amounted to RMB145.280 billion. The contribution of equities to the owners of the parent company were RMB41.016 billion. For the year 2009, the operation income, on a consolidated basis, amounted to RMB79.742 billion and the net profit attributable to the parent company was RMB5.081 billion.

Guided by the Eleventh Five Year Plan for Energy Development and the Mid-Long-term Development Plan for Renewable Energy formulated by the State, HPI has actively adjusted its structure of power supply, increased its efficiencies, and identified up to the end of 2010 the realization of the strategic targets of having its power installation capacity to exceed 60 million KW; the controllable capacity in the coal supply at 50 million tons/year; the capability for storage, transportation and transit of coal at ports to exceed 40 million tons/year; the capability of marine transportation of coal to exceed 30 million tons/year. On aspect relating to rationalization of power supply structure, the Company has actively invested in the construction of clean energy projects. The Company has further expanded coal-fired power generators set with “a larger volume, higher parameters, higher efficiency and environmental friendly”, to save energy, reduce emissions, lower environmental expenses and improve the operational efficiency. The construction and launching of these power projects are in line with the national energy strategy and industry plans. With the protection of the recently amended “Renewable Energy Law” and other laws and regulations, the Company will gradually form a diversified power generation asset structure which principally focuses on the coal-fired power and is complemented by new energy sources in order to realize sustainable development. On the other hand, the Company has made efforts to implement the strategy of “integrated storage and transportation for fuel coal” by investing into upstream coal assets, developing rail/port transportation links and building large storage and transportation bases along coastal areas. These projects will provide strong support to the power generation assets at the economically developed coastal region, and is conducive to lowering the operational risks due to the fluctuation in fuel cost and inadequacy in coal transportation, thereby realizing the synergy of the industrial chain.

With the continuing growth of the asset scale, the Company has gradually increased its gearing ratio, reaching 74.89% as at 31 December 2009. For purpose of adjusting its capital structure, lowering the gearing ratio and satisfying more appropriately the requirements of funds for the new construction projects, the Company proposes to offer the new A Share issue and the new H Share issue, in order to substantiate its capital strength, further expand the scale of the Company’s installation capacity, optimize the power-generating assets structure, enhance the profitability and core competitive strengths, realize sustainable development and reward the investing public with good performances.

### 8.2 Impact on the Company

After the fund raised from the New Issue (Revised Proposal) is available, the Company’s capital on equity basis will be increased, the cash flow will be re-inforced, the financial situation will be improved significantly, its asset/liability structure will be rationalized, its earning power will be further upgraded and hence its competitive edge as a whole will be strengthened. The impacts of the new issue on the financial position, profitability, cash flow and liabilities are detailed as follows:

(1)

Impact on the financial position

With the completion of the New Issue (Revised Proposal), the capital on equity basis will be increased, the cash flow will be strengthened rapidly while the gearing ratio will be lowered. Also, as the loans from the financial institutions will be repaid, the gearing ratio will be further lowered. This will help reduce the Company's financial risks.

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(2) Impact on profitability

Pursuant to the newly amended “Renewable Energy Law”, the State will implement a full-amount protective acquisition system in relation to renewable power generation. This will give support and assurance to the profitability of the four wind power projects in which the proceeds of the new issue will invest. On the other hand, the expansion projects of the four coal-fired power generation plants in which the proceeds of the New Issue (Revised Proposal) will invest to reinforce the Company’s competitive edge in terms of the scale of the installation capacity in the economically developed areas along the coast, the coal affluent areas or power loading centres. Benefited from the relatively high operational efficiency and the integration of the industrial chain of coal-electricity power, the profitability of the Company is expected to further increase.

Also, as the projects are being implemented with the funds raised out of the new issue, the power generation structure of the Company will be further optimized. This will help enhance the profitability of the Company.

(3) Impact on cash flow

After the completion of the New Issue (Revised Proposal), the cash inflow from the fund-raising activities will be greatly increased. This will have favourable impact on ensuring a smooth commencement of its projects as well as sustainable development of the Company.

(4) Impact on the Company’s liabilities

As at 31 December 2009, the gearing ratio of the Company was approximately 74.89%. Assuming the proceeds from the issue of the new A Shares and the issue of the new H Shares amounted to RMB10.419 billion (Note 7) and the funds raised will be used to repay the loan of RMB2.1 billion to financial institutions as planned, the Company’s gearing ratio will be decreased to approximately 70.77%. Therefore, the New Issue (Revised Proposal) can enhance the assets/liabilities structure of the Company, which is conducive to minimising the financial risks of the Company.

Note Based on issuing 1,500 million A Shares at the lowest subscription price of RMB5.57, and the 500 million H Shares at the issuing price of HK\$4.73, at the middle range of the conversion rate as announced by The People’s Bank of China on 26 July 2010, i.e. HK\$1 = RMB0.87256.

8.3 Risk Factors relating to the Company

(1) Business and Operational Risks

(i) Risk due to the fluctuation of macroeconomic environment and decrease of power demand

The performance of the power industry is closely related to the macroeconomy and economic lifecycle. The top-down cycle will directly reduce the power demand from industrial production and domestic use and intensify the competition between power plants. This will have a relatively major impact on the development of the power industry.

Affected by the global and domestic economic environment, the power demand of China decreased in 2008. In 2009, there has been an increase in the power consumption but the pace of which was relatively slow. Coupled with the relatively faster growth rate in the scale of the generation installation capacity across the nation, the supply-demand landscape of the power market has changed. Given that the trend of China’s economy is still unstable and is subject to volatility and imbalance, if the growth of the economy slows down or slackens, there exists a risk of a decrease in power demand and a reduction of utilization hours of the power equipments. These may have negative impacts on the

operation of the Company.

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(ii) Risk from rise in coal price

In 2008, with the substantial increase of the coal price, the profitability across the power industry has weakened significantly and generally suffered loss. Since the second half of 2009, the power demand has rapidly accelerated. Due to the limited supply in coal, the supply and demand for coal and power becomes tense and the coal price continues to increase. It is expected that the supply and demand for coal in the future remains tense while the coal price remains to be at high level. As currently the generating units of the Company comprises mainly the coal-fired generating units, therefore the main risk factor encountered by the Company remains to be the uncertainty and the volatility of the upstream coal market.

(2) Financial Risks

The power industry is capital-intensive. The construction of power plants features massive capital investments and a long construction period. Huge amount of capital investment are required for the Company to expand its operational scale and maintenance and renovation of its equipment. With the continuing expansion of the business structure and investment scale, the Company will therefore have an increasing demand for funds. Hence it will gradually increase the Company's gearing ratio as well as its exposure to financial risks.

(3) Political Risks

(i) Policy Risk

Any change to the State's macroeconomic policies or industrial policies may impact the operational environment of the Company. As the reform of the power industry is being implemented and intensified, the development and reform of the power industry is increasingly deepened. The government will continue to vary, supplement and perfect the existing policies and regulations governing the power industry. Any change of the applicable policies and regulations may affect the business of the Company and its profitability.

(ii) Environmental Policy Risk

China has continuously intensified its efforts in the environmental governance. With the rising environmental standards, the Company may have to pay more expenses for pollutant emission quota and the operation and maintenance of environmental facilities. These will increase the operational expenses of the Company.

(4) Other Risks

(i) Risk of obtaining the approval for the New Issue (Revised Proposal)

The New Issue (Revised Proposal) is still pending for satisfactory fulfilment of a number of conditions precedent, including but not limited to the approvals from the general meeting and the class meetings with respect to the issue of new A Shares and the issue of new H Shares, the approval from the State-owned Asset Supervision and Administration Commission with respect to the matters concerning the state-owned assets issue arising out of the issue of new A Shares and the issue of new H Shares and the approval from the China Securities Regulatory Commission with respect to the issue of new A Shares and the issue of new H Shares. As at the Latest Practicable Date, the above approvals have not yet been obtained. It is still uncertain whether and when the approvals can be obtained or granted. Therefore, there exists an uncertainty on whether or not the new issue can ultimately be carried out.



## (ii) Risk of project development and benefit

The investment project of the Company may be negatively impacted by some uncontrollable factors, such as delay in completion of the projects, etc. which may not only affect the normal development and construction of the projects concerned, but also impact on the performance, financial conditions and development perspective of the Company.

In addition, for the purpose of the this fund raising exercise, professional parties have been retained to carry out a detailed feasibility study. According to the feasibility study, all economic assessments of the projects are feasible. However, if there is any deviation in any of the factors under consideration in the feasibility study, or the occurrence of any substantial change at the time of the actual investments, it may lead to a material deviation in the analytical result. The actual results of the investment projects may deviate from the expected results.

## 9. USE OF PROCEEDS

9.1 An amount not exceeding RMB8.60 billion from the total proceeds of the New A Share Issue (Revised Proposal) is proposed to be used in the following projects:

No.	Projects	Installed capacity (MW)	Total Investment amount (in millions of RMB)	Proposed maximum amount of proceeds to be invested (in millions of RMB)
1.	Gansu Ganhehou Second Wind Power Plant Project	199.5	2,037	1,450
2.	Gansu Qiaowan Second Wind Power Plant Project	201	2,047	1,460
3.	Gansu Qiaowan Third Wind Power Plant Project (North)	101	1,050	750
4.	Huaneng Kangbao Wind Power (49.5MW) Phase I Project	49.5	525	370
5.	Jiangsu Huaneng Jinling Power Plant Phase II Project (closing down smaller coal-fired generation units and replacing by larger generation units)	1,000	5,160	220
6.	Huaneng Fuzhou Power Plant Phase III (Unit No.5) Expansion Project	600	2,870	1,790

7.	Huaneng Pingliang Power2 x 600 Plant Phase II Expansion Project		4,350		260
8.	Hunan Huaneng Yueyang600 Power Plant Phase III Project (closing down smaller coal-fired generation units and replacing by larger generation units)		2,536		200
9.	Repayment of loans to financial institutions	—	—		2,100

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If the Company has already used its internal fund or funds obtained from banks in the investment of part of the projects before the proceeds from this fund raising exercise becomes available, then the proceeds of the New A Share Issue (Revised Proposal), when available, will be used to repay relevant bank loans. If the actual amount of the proceeds raised (after deducting the issuing expenses) is insufficient to satisfy the investment needs of the above projects, the deficiency shall be made up by bank loans or internal funds or other methods by the Company. If the actual amount of the proceeds raised is more than the aggregate of the investment requirements of the above projects, the surplus shall be used to supplement the Company's working capital.

9.2 The amount of the net proceeds from the New H Share Issue (Revised Proposal) (after deducting the issuing expenses) is planned to increase the capital of SinoSing Power (Pte) Limited, an off-shore company which is wholly-owned by the Company, for development of the overseas business.

#### 10. FUND RAISING IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities involving the issue of equity shares within the 12 months immediately prior to the Latest Practicable Date.

#### 11. ACCUMULATED UNDISTRIBUTED EARNINGS

Following the completion of the New A Share Issue (Revised Proposal) and the New H Share Issue (Revised Proposal), the existing and new Shareholders of the Company shall be entitled to the accumulated undistributed earnings of the Company prior to the New Issue (Revised Proposal).

#### 12. AMENDMENTS TO THE ARTICLES OF ASSOCIATION CONSEQUENTIAL TO THE NEW ISSUE (REVISED PROPOSAL)

Consequential to the completion of the issue of new A Shares and new H Shares, the Company will make corresponding amendments to the Article of Association, including but not limited to, the amendment to Articles 15 and 19. Relevant resolution on the amendments to the Articles of Association had been approved by way of special resolution at the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting for Holders of A Shares and the 2010 First Class Meeting for Holders of H Shares on 16 March 2010. Mr. Huang Long (Director) and Mr. Liu Guoyue (Director) are authorised to implement the amendments following completion of the issue of new A Shares and new H Shares and the amendments will become effective after the Company has obtained approval from the CSRC in respect of the New Issue (Revised Proposal) and the approval from the relevant government authorities in the PRC is obtained.

#### 13. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER UNDER HONG KONG LISTING RULES

According to the Hong Kong Listing Rules, the Independent Board Committee will advise the Independent Shareholders in connection with the adjustments to the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements). Pursuant to Rules 14A.21 and 13.39(6)(b) of the Hong Kong Listing Rules, Guotai Junan Capital has been appointed by the Company to make recommendations to the Independent Board Committee and Independent Shareholders as to whether the terms of the New Issue (Revised Proposal) and the New Issue Connected Transactions are fair and reasonable and whether the New Issue (Revised Proposal) and the New Issue Connected Transactions are in the interests of the Company and the shareholders as a whole and to advise the Independent Shareholders on how to vote.

#### 14. EGM AND CLASS MEETINGS

The issue of new A Shares and new H Shares pursuant to the New Issue (Revised Proposal) constitutes a variation of class rights of the holders of A Shares and the holders of H Shares under the Articles of Association. Pursuant to the Articles of Association and Rule 19A.38 of the Hong Kong Listing Rules, the New Issue (Revised Proposal) is subject to approvals of Independent Shareholders by way of special resolutions at a general meeting and separate class meetings. As the transactions as contemplated by the New Issue Connected Transactions constitute connected transactions to the Company, the New Issue Connected Transactions are also subject to the obtaining of the approval from Independent Shareholders pursuant to Rule 14A.18 of the Hong Kong Listing Rules. Huaneng Group, Hua Neng HK and their associates will in respect of the relevant resolution(s) abstain from voting at the EGM to be convened for the purpose of, among other things, approving the issue of new A Shares and H Shares pursuant to the New Issue (Revised Proposal)

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and the New Issue Connected Transactions. Likewise, Huaneng Group, Hua Neng HK and their respective associates will also in respect of the relevant resolution(s) abstain from voting at the respective class meetings for holders of A Shares and H Shares to be convened for the purpose of, among other things, approving the New Issue (Revised Proposal) and the New Issue Connected Transactions. On obtaining the approvals to the New Issue (Revised Proposal) and the New Issue Connected Transactions at the EGM and the Class Meetings, the New Issue (Revised Proposal) and the New Issue Connected Transactions shall supersede the New Issue (Original Proposal) and the New Issue Connected Transactions prior to the adjustments passed at the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting for Holders of A Shares and the 2010 First Class Meeting for Holders of H Shares, and that the Company is required to re-apply for regulatory approvals from the relevant PRC authorities.

The Company will convene the EGM and the Class Meetings on 10 September 2010 to consider, among other things, the approval of the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements). The voting at such meetings will be taken by poll and the Company will make an announcement of the poll results. Huaneng Group, Hua Neng HK and their respective associates (holding an aggregate of 6,141,786,667 shares in the Company, representing approximately 50.95% of the total issued shares of the Company as at the Latest Practicable Date) will abstain from voting at the EGM and Class Meetings in respect of the special resolutions to approve, among other things, the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements).

The Directors (including independent non-executive Directors) are of the view that the Subscription Agreements were entered into: (i) on normal commercial terms (on arm's length terms or on terms no less favourable than those obtained from independent third party); and (ii) on terms that are fair and reasonable. The New Issue (Revised Proposal) (including the New Issue Connected Transactions (including the Subscription Agreements)) are in the interests of the Company and its Shareholders as a whole.

The Notices of EGM, the H Share Class Meeting (for details of the relevant notices, please refer to the Notices of the EGM and the H Share Class Meeting both dated 27 July 2010 published by the Company) and reply slips and forms of proxy thereof for use by the Shareholders at the EGM and H Share Class Meeting have already been issued to the Shareholders. Whether or not you intend to attend the meetings in person, you are requested to complete and return the reply slips in accordance with the instructions printed thereon to the business address of the Company at Huaneng, Building, 4 Fuxingmennei Street, Xicheng District, Beijing, PRC as soon as possible but in any event not later than 21 August 2010. The forms of proxy should be completed and returned to the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong or the business address of the Company in accordance with the instructions printed thereon as soon as practicable and in any event not later than 24 hours before the time appointed for the holding of the EGM and the H Share Class Meeting. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meetings should you so wish.

#### 15. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares will be closed from 21 August 2010 to 10 September 2010, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM and the Class Meetings, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with the Hong Kong Registrars Ltd. at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 20 August 2010.

16.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders of the Company, which is set out on pages 31 to 32 of this circular, and which contains their recommendation in respect of the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements).

The letter of advice from Guotai Junan Capital to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) and whether the transactions under the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) are in the interests of the Company and its shareholders as a whole is set out on pages 33 to 64 of this circular.

The Independent Board Committee, having taken into account the advice of Guotai Junan Capital, considers that the terms of the transactions under the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned and that the New Issue (Revised Proposal) (including the New Issue Connected Transactions (including the Subscription Agreements)) are 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 New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements).

17.

OTHER INFORMATION

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

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



LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Registered office:  
West Wing, Building C  
Tianyin Mansion  
2C Fuxingmennan Street  
Xicheng District  
Beijing 100031  
The People's Republic of China

6 August 2010

To the Independent Shareholders

Dear Sir or Madam,

REVISED PROPOSAL REGARDING THE ISSUE OF  
NEW A SHARES AND NEW H SHARES  
CONNECTED TRANSACTIONS

We, the Independent Board Committee of Huaneng Power International, Inc., are advising the Independent Shareholders in connection with the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription 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 6 August 2010, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

In accordance with the Articles of Association, the Hong Kong Listing Rules and applicable rules and regulations in the PRC, the New Issue (Revised Proposal) constitutes a variation of class rights of the holders of A Shares and the holders of H Shares. Therefore, the New Issue (Revised Proposal) is subject to approvals of Independent Shareholders by way of special resolutions at the EGM and H Share Class Meetings.

Under the Hong Kong Listing Rules, the New Issue Connected Transactions (including the Subscription Agreements) constitute connected transactions to the Company. Accordingly, the New Issue Connected Transactions (including the Subscription Agreements) will require the approval of the Independent Shareholders at the EGM and the H Share Class Meeting.

We wish to draw your attention to the letter of advice from Guotai Junan Capital set out on pages 33 to 64 of the Circular. We have discussed the letter and the opinion contained therein with Guotai Junan Capital.

Having considered, inter alia, the factors and reasons considered by, and the opinion of, Guotai Junan Capital, as stated in its aforementioned letter, we consider the New Issue (Revised Proposal) and the New Issue Connected Transactions (including Subscription Agreements) to be fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) 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 resolutions in the Notices of EGM and the H Share Class Meeting (which had separately been issued to Shareholders) to be proposed at the EGM and the H Share Class Meeting to be held on 10 September 2010 and thereby approve the New Issue (Revised

Proposal) and the New Issue Connected Transactions (including the Subscription Agreements). For details of the relevant notices, please refer to the Notices of the EGM and the H Share Class Meeting both dated 27 July 2010 published by the Company.

Yours faithfully,  
Liu Jipeng Yu Ning Shao Shiwei Zheng Jianchao Wu Liansheng  
Independent Directors

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LETTER FROM GUOTAI JUNAN CAPITAL

The following is the text of the letter of advice from Guotai Junan Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in relation to the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements), which has been prepared for the purpose of inclusion in this circular.

Guotai Junan Capital Limited

27th Floor  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

6 August 2010

To Independent Board Committee and  
the Independent Shareholders of  
Huaneng Power International, Inc.

Dear Sirs,

CONNECTED TRANSACTIONS  
REVISED PROPOSAL REGARDING  
THE ISSUE OF NEW A SHARES TO HUANENG GROUP AND  
ISSUE OF NEW H SHARES TO HUA NENG HK

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Issue (Revised Proposal) and the New Issue Connected Transactions. The Subscription Agreements and the New Issue (Revised Proposal) and the New Issue Connected Transactions contemplated thereunder are set out in the "Letter from the Board" of the circular to the shareholders of the Company (the "Shareholders") dated 6 August 2010 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Circular.

The Board approved the New Issue (Revised Proposal) and agreed the Company to issue not exceeding 1,500 million new A Shares and 500 million new H Shares by way of placement to designated investors including Huaneng Group and Hua Neng HK, a wholly-owned subsidiary of Huaneng Group respectively. Of which, not more than 500 million new A Shares will be issued to Huaneng Group and not more than 500 million new H Shares will be issued to Hua Neng HK.

At present, Huaneng Group holds a 8.75% direct interest in the Company; HIPDC (Huaneng Group holds a 51.98% direct interest and 5% indirect interest in HIPDC) holds 42.03% of the total issued share capital of the Company. Hua Neng HK (a wholly-owned subsidiary of Huaneng Group) holds 0.17% interest in the Company. Therefore, Huaneng Group and Hua Neng HK are connected persons of the Company under the Hong Kong Listing Rules. The transactions between the Company and each of Huaneng Group and Hua Neng HK as contemplated by the New Issue (Revised Proposal) constitute connected transactions of the Company. Under the Hong Kong Listing Rules, the New Issue Connected Transactions (including the Subscription Agreements) require Independent Shareholders' approvals by way of special resolutions at a general meeting and separate class meetings. Huaneng Group, Hua Neng HK and

their associates will abstain from voting at the EGM and Class Meetings.

In accordance with the Articles of Association, the Hong Kong Listing Rules and applicable rules and regulations in PRC, the New Issue (Revised Proposal) constitutes a variation of class rights of the holders of A Shares and the holders of H Shares. Therefore, the New Issue (Revised Proposal) is subject to the approvals of Independent Shareholders by way of special resolutions at a general meeting and separate class meetings. On obtaining the approvals to the New Issue (Revised Proposal) and the New Issue Connected Transactions at the EGM and the Class Meetings, the New Issue (Revised Proposal) and the New Issue Connected Transactions shall supersede the New Issue (Original Proposal) and the New Issue Connected Transactions prior to the adjustments passed at the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting for Holders of A

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Shares and the 2010 First Class Meeting for Holders of H Shares, and the Company is required to re-apply for regulatory approvals from the relevant PRC authorities. The New Issue (Revised Proposal) and the New Issue Connected Transactions shall be effective for 12 months from the date on which the New Issue (Revised Proposal) and the New Issue Connected Transactions are passed at the EGM and the Class Meetings. Huaneng Group, Huaneng HK and their associates will abstain from voting at the EGM and Class Meetings.

Pursuant to the Shanghai Listing Rules and Rule 14A.56(9) of the Hong Kong Listing Rules, Messrs. Cao Peixi, Huang Long, Wu Dawei, Huang Jian, Liu Guoyue and Fan Xiaxia, all being directors of the Board of the Company having a material interest in the issue of new shares, had abstained from voting on the board resolutions relating to the New Issue (Revised Proposal) and the New Issue Connected Transactions. The resolutions were voted by directors who are not connected to the transactions.

The Company will propose relevant resolutions at the EGM and separate class meetings for seeking the approval from the Independent Shareholders for the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements). This letter set out our recommendations as to whether the terms of the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

#### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising the independent non-executive directors of the Company, namely Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng, has been established to consider the New Issue (Revised Proposal) and the New Issue Connected Transactions.

#### BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Company contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions, and representations for matters relating to the Company contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations for the matters relating to the Company made or provided by the Company and/or its senior management staff and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.



## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

### A. Background

As stated in the Letter from the Board, the New A Share Issue (Original Proposal) and the New H Share Issue (Original Proposal) were approved at the 8th Meeting of the Sixth Session of the Board on 15 January 2010 and the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting for Holders of A Shares and the 2010 First Class Meeting for Holders of H Shares on 16 March 2010, respectively. Due to the changes in the market environment, the Company has decided to proceed with the revision to the New A Share Issue (Original Proposal) and the New H Share Issue (Original Proposal) (comprising mainly the adjustments to the lowest subscription price for the new A Shares, the subscription price for the new H Shares and the maximum number of shares to be issued out of the New Issue (Revised Proposal)). Pursuant to the New Issue (Revised Proposal), the Company would issue not exceeding 1,500 million new A Shares by way of placement to not more than 10 designated investors including Huaneng Group. The total shares to be issued will be decided by the Company and the lead underwriter of the issue of new A Shares, depending on the subscription rate by the designated investors. If the total shares to be issued under the New A Share Issue (Revised Proposal) amounts to 1,500 million shares, 500 million new A Shares shall be issued to Huaneng Group, with the remaining 1,000 million new A Shares to be issued to other designated investors. If for whatever reason the total shares to be issued out of the valid subscription of the New A Share Issue (Revised Proposal) to other designated investors are less than 1,000 million shares, then the number of A Shares to be issued to Huaneng Group shall correspondingly be adjusted on a pro rata basis. Concurrently, if the total shares to be issued under the New A Share Issue (Revised Proposal) amounts to 1,500 million shares, then the Company shall issue 500 million new H Shares to Hua Neng HK. If the total shares to be issued under the New A Share Issue (Revised Proposal) are less than 1,500 million, then the number of H Shares to be issued out of the New H Share Issue (Revised Proposal) shall correspondingly be adjusted on a pro rata basis.

For the purpose of issuing the new A Shares and the new H Shares, the Company had entered into the Original A Shares Subscription Agreement, the Supplemental Agreement to the A Shares Subscription Agreement, the Original H Shares Subscription Agreement and the Supplemental Agreement to the H Shares Subscription Agreement with Huaneng Group and Hua Neng HK, respectively.

Pursuant to the Original A Shares Subscription Agreement and the Supplemental Agreement to the A Shares Subscription Agreement, the Company agreed to issue to Huaneng Group and Huaneng Group agreed to subscribe for 500 million new A Shares of the Company. If for whatever reason the total shares to be issued out of the valid subscription of the New A Share Issue (Revised Proposal) to other designated investors are less than 1,000 million shares, then the number of A Shares to be issued to Huaneng Group shall correspondingly be adjusted on a pro rata basis. Based on the subscription price per new A Share of not less than RMB5.57 and on the assumption that Huaneng Group shall subscribe for 500 million new A Shares, the consideration in aggregate shall be not less than RMB2,785 million.

Pursuant to the Original H Shares Subscription Agreement and the Supplemental Agreement to the H Shares Subscription Agreement, the Company agreed to issue to Hua Neng HK and Hua Neng HK agreed to subscribe for 500 million new H Shares of the Company while in any event the issuing size shall not exceed the number as approved by the CSRC. If the ultimate total shares to be issued out of the New H Share Issue (Revised Proposal) are less than 1,500 million shares, then the number of H Shares to be issued to Hua Neng HK shall correspondingly be adjusted on a pro rata basis. Based on the subscription price of HK\$4.73 per new H Share and on the assumption that Hua Neng HK shall subscribe for 500 million new H Shares, the consideration in aggregate shall be HK\$2,365 million

(approximately RMB2,064 million). Issuance under the New A Share Issue (Revised Proposal) shall take place at the right timing within 6 months from obtaining the necessary approvals from the CSRC.

The Company and its subsidiaries mainly develop, construct, operate and manage large-scale power plants in China nationwide. It is one of the largest listed electricity power suppliers in China. As at 31 December 2009, the installed capacity on an equity basis of the Company was 45,340 MW and the controlled installed capacity was 48,548 MW. Huaneng Group is principally engaged in the operation and management of enterprise investment; the development, investment, construction, operation and management of power source; organizing the generation and sale of power (and heat); and the development, investment, construction, production and sale of products in relation to information, transportation, new energy and environmental protection industries and related products. Hua Neng HK is a wholly owned subsidiary of Huaneng Group and is principally engaged in investment, construction, management, development and holding of power plants and other energy related projects.

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**B. Reasons for Entering into the Subscription Agreements and Revising the Proposal regarding Issue of New A Shares and New H Shares**

As stated in the Letter from the Board, as a listed company whose shares are listed on the stock exchanges in Shanghai, Hong Kong and New York, the Company has since its establishment been dedicating to creating long-term, stable and growing returns for its shareholders and providing society with sufficient, reliable, environment-friendly power. Guided by the Eleventh Five Year Plan for Energy Development and the Mid- Long-term Development Plan for Renewable Energy formulated by the State, HPI has actively adjusted its structure of power supply, increased its efficiencies, and identified up to end of 2010 the realization of the strategic targets of having its power controlled installation capacity to exceed 60 million KW; the controllable capacity in the coal supply at 50 million tons/year; the capability for storage, transportation and transit of coal at ports to exceed 40 million tons/year; the capability of marine transportation of coal to exceed 30 million tons/year. On aspect relating to rationalization of power supply structure, the Company has actively invested in the construction of clean energy projects. The Company has further expanded coal-fired power generators set with “a larger volume, higher parameters and higher efficiency and environmental friendly”, to save energy, reduce emissions, lower environmental expenses and improve the operational efficiency. The construction and launching of these power projects are in line with the national energy strategy and industry plans. With the protection of the recently amended “Renewable Energy Law” and other laws and regulations, the Company will gradually form a diversified power generation asset structure which principally focuses on the coal-fired power and is complemented by new energy sources in order to realize sustainable development. On the other hand, the Company has made efforts to implement the strategy of “integrated storage and transportation for fuel coal” by investing into upstream coal assets, developing rail/port transportation links and building large storage and transportation bases along coastal areas. These projects will provide a strong support to the power generation assets at the economically developed coastal region, and is conducive to lowering the operational risks due to the fluctuation in fuel cost and inadequacy in coal transportation, thereby realizing the synergy of the industrial chain. We consider the projects to be financed with the proceeds raised from the issue are in line with the Company’s development strategy.

As set out in the paragraph headed “Use of Proceeds” below, the total investment of the projects sum up to approximately RMB20.6 billion, and as stated in the financial report of the Company for the three months ended 31 March 2010 published on the Stock Exchange, the cash and cash equivalents decreased by 26.5% from the same period last year to approximately RMB6.05 billion. We consider that the Company cannot satisfy the requirements of funds for such construction projects with its internal resources. Meanwhile, the Company’s gearing ratio has reached 75.09% as at 31 March 2010. For the purpose of adjusting its capital structure, lowering the gearing ratio and satisfying more appropriately the requirements of funds for the new construction projects, the Company proposes to offer the new A Share issue and the new H Share issue, in order to substantiate its capital strength, further expand the scale of the Company’s installation capacity, optimize the power-generating assets structure, enhance the profitability and core competitive strengths, realize sustainable development and reward the investing public with good performances. Considering the amount of fund required and relatively high gearing ratio of the Company, we consider that the New Issue (Revised Proposal) is a better way of financing as compared with other fund-raising activities (such as bank loans).

We noted that, in addition to issuing new A Shares and new H Shares to Huaneng Group and Hua Neng HK respectively, the Company intends to issue new A Shares to investors other than Huaneng Group. However, apart from Subscription Agreements entered into with Huaneng Group and Hua Neng HK, no other agreements have been entered into, and investors other than Huaneng Group are yet to be confirmed. We consider that the funds provided by Huaneng Group (the Company’s controlling shareholder) and Hua Neng HK (a wholly-owned subsidiary of Huaneng Group) are relatively secured funding sources.

We noted that, since the Original A Shares Subscription Agreement and Original H Shares Subscription Agreement dated 15 January 2010, the market environment has changed. Each of Shanghai Composite Index (“SCI”), Hang Seng Index (“HSI”) and Hang Seng China Enterprises Index (“HSCEI”) has decreased to some extent:

	Closing index on 15 Jan 2010	Closing index on 26 Jul 2010	Increase/(decrease)
SCI	3,224.15	2,588.68	(19.71%)
HSI	21,654.16	20,839.91	(3.76%)
HKCEI	12,356.88	11,673.37	(5.53%)

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Meanwhile, both A Share and H Share prices of the Company have changed when comparing with the last trading day (i.e. 7 Jan 2010) before the Original A Shares Subscription Agreement and Original H Shares Subscription Agreement:

	Closing price on 7 Jan 2010	Closing price on 26 Jul 2010	Increase/(decrease)
A Share	RMB7.86	RMB6.31	(19.72%)
H Share	HK\$4.73	HK\$4.51	(4.65%)

We noted that, the subscription price per new A Share (i.e. RMB7.13) proposed in the Original A Shares Subscription Agreement and the subscription price per new H Share (i.e. HK\$4.97) proposed in the Original H Shares Subscription Agreement are higher than the current market prices, which increased the difficulty of the share issues prominently:

	Original subscription price	Closing price on 26 July 2010	Premium/(discount)
A Share	RMB7.13	RMB6.31	13.00%
H Share	HK\$4.97	HK\$4.51	10.20%

Considering the market environment as stated above, we are of the view that the revised proposal regarding the issue of new A Shares and new H Shares is fair and reasonable.

We noted that, as stated in the Letter from the Board, the Company has realized the risks exposed by it, namely a) business and operational risks (including (i) risk due to the fluctuation of macroeconomic environment and decrease of power demand and (ii) risk from rise in coal price); b) financial risks; c) political risks (including (i) policy risk and (ii) environmental policy risk); and d) other risks (including (i) risk of obtaining the approval for the New Issue (Revised Proposal) and (ii) risk of project development and benefit). The Company has already considered the risk factors it may face upon completion of the New Issue (Revised Proposal) and made the relevant disclosures. We believe that the Company has made decision which is in line with Shareholders' interests after giving full consideration to the pros and cons of the New Issue (Revised Proposal).

### C. Subscription of New A Shares by Huaneng Group

#### C.1 Original A Shares Subscription Agreement dated 15 January 2010

##### Parties

(1) the Company, as the issuer

(2) Huaneng Group, as the subscriber

##### Subscription of new A Shares

The Company agreed to issue to Huaneng Group and Huaneng Group agreed to subscribe for 400 million new A Shares of the Company. If for whatever reason the aggregate number of shares to be issued out of the valid subscription of the New A Share Issue to other designated investors is less than 800 million shares, then the number of

A Shares to be issued to Huaneng Group shall correspondingly be adjusted on a pro rata basis. The calculation shall be as follows:

$$\begin{array}{r} \text{Number of} \\ \text{new A Shares} \\ \text{to be issued} \end{array} = \begin{array}{r} 400 \text{ million} \\ \text{shares} \end{array} \times \begin{array}{r} \text{Aggregate number of shares to be} \\ \text{issued} \\ \text{out of the valid subscription of the} \\ \text{issue of} \\ \text{new A Shares to other investors} \\ \\ 800 \text{ million shares} \end{array}$$

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Subscription price per new A Share

The subscription price per new A Share pursuant to the New A Share Issue shall be not less than RMB7.13, i.e. not less than 90% of the average trading price (Note 2) per A Share as quoted on the Shanghai Stock Exchange for the twenty trading days immediately prior to the price determination date of the New Issue (Original Proposal) (Note 1). The subscription price per new A Share in concrete terms shall be ascertained on the book-building basis following the obtaining of the approvals for the New Issue from the CSRC, i.e. it will be decided by the Company and the lead underwriter of the issue of new A Shares, depending on the subscription rate by other investors pursuant to the issue of new A Shares and the principle of priority in pricing. Huaneng Group will not participate in the quotation of the book-building process for the issue of new A Shares and the subscription price of Huaneng Group shall be the same as that of other investors who have participated in the issue of new A Shares. If the Company carries out any distribution of equity interest, conversion of shares from reserve fund or placing having the effect of ex-rights, ex-dividend, etc. prior to the closing of the issue of new shares, then the abovementioned lowest subscription price per Share and the maximum number of shares to be issued shall be adjusted correspondingly

Note 1: The price determination date of the New Issue (Original Proposal) was the date on which the announcement relating to the 8th Meeting of the Sixth Session of the Board was published, i.e. 18 January 2010

Note 2: The average trading price of the Company's A Shares for the twenty trading days immediately prior to the price determination date of the New Issue (Original Proposal)	=	Aggregate amount of A Shares traded on the Shanghai Stock Exchange for the twenty trading days immediately prior to the price determination date of the New Issue (Original Proposal)
		Aggregate number of A Shares traded on the Shanghai Stock Exchange for the twenty trading days immediately prior to the price determination date of the New Issue (Original Proposal)

Aggregate subscription amount

The aggregate subscription amount by Huaneng Group in the issue of new A Shares shall be the product of the subscription price per new A Share and the number of the A Shares subscribed for by Huaneng Group.

Conditions precedent

The completion obligation under the Original A Shares Subscription Agreement shall arise upon the satisfaction or proper waiver of the following conditions precedent:

1. upon the obtaining of the approvals from the Independent Shareholders at EGM and Class Meeting regarding the issue of new A Shares, the approval regarding the issue of new A Shares from the CSRC and the approvals from the relevant government authorities on the related matters regarding the issue of new A Shares as detailed by the Original A Shares Subscription Agreement;
- 2.

all conditions precedent contained in the Original H Shares Subscription Agreement have been satisfied or properly waived;

3. the Company is satisfied with the result of the book-building for issue of new A Shares (including the final subscription price per share and the number of shares to be issued);
  4. the relevant government authorities have not issued, promulgated or implemented any law, regulations, rules, guidance, order or notice prohibiting the completion of the transactions contemplated under the Original A Shares Subscription Agreement;
  5. representations and warranties made by Huaneng Group in the Original A Shares Subscription Agreement are true and accurate in all material respects and Huaneng Group has fulfilled in all material respects its obligations under the Original A Shares Subscription Agreement; and
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6. representations and warranties made by the Company in the Original A Shares Subscription Agreement are true and accurate in all material respects and the Company has fulfilled in all material respects its obligations under the Original A Shares Subscription Agreement.

#### Completion

Completion shall be taken place on the seventh business day following the last of all conditions contained in the Original A Shares Subscription Agreement is satisfied (or properly waived), or on any other earlier date as agreed by Huaneng Group and the Company (but shall not be earlier than the date on which all the conditions precedent are satisfied or properly waived). The Company and Huaneng Group shall attend to and complete the relevant business administration registration procedures after completion of the issue of new A Shares.

#### Lock-up period

Huaneng Group shall not deal in or dispose of any of the new A Shares subscribed by it pursuant to the issue of new A Shares within a period of 36 months from the completion of the issue of new A Shares.

### C.2 Supplement Agreement to the A Shares Subscription Agreement dated 26 July 2010

#### Parties

(1) the Company, as the issuer

(2) Huaneng Group, as the subscriber

#### Adjustment to the number of new A Shares to be issued

The Company agreed to issue to Huaneng Group and Huaneng Group agreed to subscribe for 500 million new A Shares of the Company. Such new A Shares shall not attach with any other rights. If for whatever reason the aggregate number of shares to be issued out of the valid subscription of the issue of new A Shares to other designated investors is less than 1,000 million shares, then the number of A Shares to be issued to Huaneng Group shall correspondingly be adjusted on a pro rata basis. The calculation shall be as follows:

$$\begin{array}{r} \text{Number of} \\ \text{new A Shares} \\ \text{to be issued} \end{array} = \begin{array}{r} 500 \text{ million} \\ \text{shares} \end{array} \times \begin{array}{r} \text{Aggregate number of shares to be} \\ \text{issued} \\ \text{out of the valid subscription of the} \\ \text{issue of} \\ \text{new A Shares to other investors} \\ \\ 1,000 \text{ million shares} \end{array}$$

#### Adjustment to the subscription price per new A Share

The Price Determination Date for the new A Shares shall be adjusted to the date of publication of the announcement regarding the resolutions of the Board of the Company on which the proposal on the adjustments to the issue of new shares was considered and approved (i.e. 27 July 2010). The subscription price per new A Share shall be not less than 90% (i.e. not less than RMB5.57 per new A Share) of the average trading price (Note 3) per A Share as quoted on the Shanghai Stock Exchange for the twenty trading days immediately prior to the Price Determination Date. The

subscription price per new A Share in concrete terms shall be ascertained on the bidding basis following the obtaining of the approvals for the issue of new shares from the CSRC, i.e. it will be decided by the Company and the lead underwriter of the issue of new A Shares, depending on the subscription rate by other investors pursuant to the issue of new A Shares and the principle of priority in pricing. Huaneng Group will not participate in the bidding process for the issue of new A Shares and the subscription price of Huaneng Group shall be the same as that of other investors who have participated in the issue of new A Shares. If the Company carries out any distribution of equity interest, conversion of shares from reserve fund or placing having the effect of ex-rights, ex-dividend, etc. prior to the closing of the issue of new shares, then the abovementioned lowest subscription price per Share and the maximum number of shares to be issued shall be adjusted correspondingly.

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<p>Note 3: The average trading price of the Company's A Shares for the twenty trading days immediately prior to the Price Determination Date</p>	=	<p>Aggregate amount of A Shares traded on the Shanghai Stock Exchange for the twenty trading days immediately prior to the Price Determination Date</p> <p>Aggregate number of A Shares traded on the Shanghai Stock Exchange for the twenty trading days immediately prior to the Price Determination Date</p>
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Adjustment to the "Conditions precedent" to closing

The Company and Huaneng Group agreed to delete the abovementioned condition 3 - "the Company is satisfied with the result of the book-building for issue of new A Shares (including the final subscription price per share and the number of shares to be issued)" - from the "Conditions precedent" to closing.

Assuming Huaneng Group will subscribe for 500 million new A Shares, such new A Shares will represent approximately 5.55% of the existing issued share capital of the A Shares of the Company, approximately 4.76% of the issued share capital of the A Shares of the Company as enlarged by the issue of the new A Shares and approximately 3.55% of the Company's enlarged issued share capital after completion of the New Issue (Revised Proposal). Immediately after completion of the New Issue (Revised Proposal) and taking into account the aggregate of 6,121,786,667 A Shares already held by Huaneng Group (directly, and indirectly through HIPDC) (representing approximately 68.02% of the existing issued share capital of the A Shares of the Company), Huaneng Group (directly, and indirectly through HIPDC) will hold an aggregate of not more than 6,621,786,667 A Shares, representing approximately 63.06% of the issued share capital of A Shares of the Company as enlarged by the issue of the new A Shares and approximately 47.11% of the Company's enlarged issued share capital after completion of the New Issue (Revised Proposal). Based on the subscription price per new A Share of not less than RMB5.57 and on the assumption that Huaneng Group shall subscribe for 500 million new A Shares, the consideration in aggregate will be not less than RMB2,785 million.

D. Subscription of New H Shares By Hua Neng HK

D.1 Original H Shares Subscription Agreement dated 15 January 2010

Parties

- (1) The Company, as the issuer
- (2) Hua Neng HK, a wholly-owned subsidiary of Huaneng Group, as the subscriber

Subscription of new H Shares

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The Company agreed to issue to Hua Neng HK and Hua Neng HK agreed to subscribe for 400 million new H Shares of the Company while in any event the issue size shall not exceed the number as approved by the CSRC. If the aggregate number of shares to be issued out of the issue of new A Shares is less than 1,200 million shares, then the number of H Shares to be issued to Hua Neng HK shall correspondingly be adjusted on a pro rata basis. The calculation shall be as follows:

$$\begin{array}{r} 400 \text{ million} \\ \text{shares} \end{array} \times \begin{array}{l} \text{Aggregate number of shares to be issued out of} \\ \text{the valid subscription of the issue of new A Shares} \\ \\ 1,200 \text{ million shares} \end{array}$$

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Subscription price per new H Share

The subscription price per new H share pursuant to the issue of new H Shares shall be the higher of the average trading price (Note 5) per H share as quoted on the Stock Exchange for the twenty trading days immediately prior to the price determination date of the New Issue (Original Proposal) (i.e. HK\$4.46) (Note 4) or the closing price per H Share on the last trading day as quoted on the Stock Exchange immediately prior to the price determination date of the New Issue (Original Proposal) (i.e. HK\$4.73), with a share price premium of 5% (i.e. at HK\$4.97 per new H Share). If the Company carries out any distribution of equity interest, conversion of shares from reserve fund or placing having the effect of ex-rights, ex-dividend, etc. prior to the closing of the issue of new Shares, then the abovementioned lowest subscription price per new H Share and the maximum number of new H Shares to be issued shall be adjusted correspondingly.

Note 4: The price determination date of the New Issue (Original Proposal) was the date on which the announcement relating to the 8th Meeting of the Sixth Session of the Board was published, i.e. 18 January 2010

<p>Note 5: The average trading price of the Company's H Shares for the twenty trading days immediately prior to the price determination date of the New Issue (Original Proposal)</p>	=	<p>Aggregate amount of H Shares traded on the Stock Exchange for the twenty trading days immediately prior to the price determination date of the New Issue (Original Proposal)</p> <p>Aggregate number of H Shares traded on the Stock Exchange for the twenty trading days immediately prior to the price determination date of the New Issue (Original Proposal)</p>
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Aggregate subscription amount

The aggregate subscription amount by Hua Neng HK in the issue of new H Shares shall be the product of the subscription price per new H Share and the number of the H Shares subscribed for by Hua Neng HK.

Conditions precedent

The completion obligation under the Original H Shares Subscription Agreement shall arise upon the satisfaction or proper waiver of the following conditions precedent:

1. upon the obtaining of the approvals from the Independent Shareholders at EGM and Class Meeting regarding the issue of new H Shares, the approval regarding the issue of new H Shares from the CSRC, the approval from the Listing Committee of the Stock Exchange relating to the trading of and the dealing in H Shares pursuant to the issue of new H Shares and the approvals from the relevant government authorities on the related matters regarding the issue of new H Shares as detailed by the Original H Shares Subscription Agreement;
2. all conditions precedent contained in the Original A Shares Subscription Agreement have been satisfied or properly waived;

3. the relevant government authorities have not issued, promulgated or implemented any law, regulations, rules, guidance, order or notice prohibiting the completion of the transaction contemplated under the Original H Shares Subscription Agreement;
  4. representations and warranties made by Hua Neng HK in the Original H Shares Subscription Agreement are true and accurate in all material respects and Hua Neng HK has fulfilled in all material respects its obligations under the Original H Shares Subscription Agreement; and
  5. representations and warranties made by the Company in the Original H Shares Subscription Agreement are true and accurate in all material respects and the Company has fulfilled in all material respects its obligations under the Original H Shares Subscription Agreement.
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Completion

Completion shall be taken place on the seventh business day following the last conditions contained in the Original H Shares Subscription Agreement is satisfied (or properly waived), or on any other earlier date as agreed by Huaneng Group and the Company (but shall not be earlier than the date on which all the conditions precedent are satisfied or properly waived). The Company and Hua Neng HK shall attend to and complete the relevant business administration registration procedures after completion of the issue of new H Shares.

Lock-up period

Hua Neng HK shall not deal in or dispose of any of the new H Shares subscribed by it pursuant to the issue of new H Shares within a period of 12 months from the completion of the issue of new H Shares.

D.2 Supplement Agreement to the H Shares Subscription Agreement dated 26 July 2010

Parties

- (1) The Company, as the issuer
- (2) Hua Neng HK, as the subscriber

Adjustment to the number of new H Shares to be issued

The Company agreed to issue to Hua Neng HK and Hua Neng HK agreed to subscribe for 500 million new H Shares of the Company while in any event the issue size shall not exceed the number as approved by the CSRC. If the aggregate number of shares to be issued out of the issue of new A Shares is less than 1,500 million shares, then the number of H Shares to be issued to Hua Neng HK shall correspondingly be adjusted on a pro rata basis. The calculation shall be as follows:

$$500 \text{ million shares} \times \frac{\text{Aggregate number of shares to be issued out of the valid subscription of the issue of new A Shares}}{1,500 \text{ million shares}}$$

Adjustment to the subscription price per new H Share

The Price Determination Date for the new H Shares shall be adjusted to the date of publication of the announcement regarding the resolutions of the Board of the Company on which the proposal on the adjustments to the issue of new shares was considered and approved (i.e. 27 July 2010). The subscription price per new H share pursuant to the issue of new H Shares shall be based on the average trading price per H share as quoted on the Stock Exchange for the twenty trading days immediately prior to the Price Determination Date (i.e. HK\$4.59) (Note 6), with a share price premium of 3% (i.e. at HK\$4.73 per new H Share). If the Company carries out any distribution of equity interest, conversion of shares from reserve fund or placing having the effect of ex-rights, ex-dividend, etc. prior to the closing of the issue of new shares, then the abovementioned lowest subscription price per new H Share and the maximum number of new H Shares to be issued shall be adjusted correspondingly.

Note 6: The average trading price of the Company's H Shares for the = Aggregate amount of H Shares traded on the

twenty trading days  
immediately  
prior to the Price  
Determination Date

Stock Exchange for the twenty trading  
days  
immediately prior to the Price  
Determination Date

Aggregate number of H Shares traded  
on the  
Stock Exchange for the twenty trading  
days  
immediately prior to the Price  
Determination Date

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Assuming Hua Neng HK will subscribe for 500 million new H Shares, those Shares shall represent approximately 16.36% of the existing issued share capital of H Shares of the Company, approximately 14.06% of the issued share capital of H Shares of the Company as enlarged by the issue of the new H Shares and approximately 3.55% of the Company's enlarged issued share capital after completion of the New Issue (Revised Proposal). Immediately after completion of the New Issue (Revised Proposal), and taking into account the 20,000,000 H Shares already held by Hua Neng HK (representing approximately 0.65% of the existing issued share capital of H Shares of the Company), Huaneng Group will, directly and indirectly hold an aggregate of 520,000,000 Shares, representing approximately 14.62% of the issued share capital of H Shares of the Company as enlarged by the issue of the new H Shares and approximately 3.70% of the Company's enlarged issued share capital after completion of the New Issue (Revised Proposal). Based on the subscription price of HK\$4.73 per new H Share and on the assumption that Hua Neng HK shall subscribe for 500 million new H Shares, the consideration in aggregate shall be HK\$2,365 million (approximately RMB2,064 million).

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, all the new H Shares.

E. Ranking of the New Shares to be issued

The new A Shares to be issued pursuant to the New A Share Issue (Revised Proposal) will rank, upon issue, *pari passu* in all respects with the A Shares in issue at the time of issue and allotment of such new A Shares.

The new H Shares to be issued pursuant to the New H Share Issue (Revised Proposal) will rank, upon issue, *pari passu* in all respects with the H Shares in issue at the time of issue and allotment of such new H Shares.

F. Subscription Prices

A Share Subscription Price

The subscription price of RMB5.57 per new A Share represents:

- (a) a discount of approximately 11.73% to the closing price of RMB6.31 per A Share as quoted on the Shanghai Stock Exchange on 26 July 2010, being the last trading day preceding the Price Determination Date;
- (b) a discount of approximately 11.84% to the average closing price of RMB6.318 per A Share as quoted on the Shanghai Stock Exchange for the five trading days immediately prior to 27 July 2010, being the Price Determination Date;
- (c) a discount of approximately 10.44% to the average closing price of RMB6.219 per A Share as quoted on the Shanghai Stock Exchange for the ten trading days immediately prior to 27 July 2010, being the Price Determination Date; and
- (d) a discount of approximately 10.08% to the average trading price of RMB6.194 per A Share as quoted on the Shanghai Stock Exchange for the twenty trading days immediately prior to 27 July 2010, being the Price Determination Date.

As advised by the PRC legal advisers to the Company, the pricing mechanism of the issue of new A Shares (i.e. to issue the new A Shares at a discount to the market price) is pursuant to the provisions stipulated in the "Measures on the Administration of Issuance of Securities by Listed Companies" and the "Regulations on the Implementation of the Non-public Issue of Shares of Listed Companies". The final subscription price will be determined based on the state of

subscription by investors other than Huaneng Group pursuant to the New Issue (Revised Proposal) and in compliance with the principle of priority in pricing.

In order to ascertain the fairness and reasonableness of A Share subscription price, we consider that it would be appropriate, as well as to our best knowledge, to carry out a market comparison for other issuances of new shares by way of placing or subscription conducted by other non-financial companies listed on the Shanghai Stock Exchange which were announced since 1 June 2010 and before the date of the announcement of the Company on 27 July 2010 in relation to the new issue (the “A Shares Comparables”) as reference.

Set out below is the summary for the A Shares Comparables:

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Date of announcement	Stock code Name of listed company	Amount raised (RMB million)	Placing/subscription price per share (RMB)	Approximate premium/(discount) of placing/subscription price per share over/to the closing price on the last trading day prior to the release of the announcement	Approximate premium/(discount) of placing/Subscription price per share over/to average closing price per share in the five trading days prior to the release of the announcement	Approximate premium/(discount) of placing/Subscription price per share over/to average closing price per share in the ten trading days prior to the release of the announcement	Approximate premium/(discount) of placing/S price per share over trading share in the rel
4 June 2010	600063 A n h u i W a n h e i Updated High-tech Material Industry Co. Ltd	1,703.51	7.96	-1.73%	-5.17%	-7.09%	
5 June 2010	600321 S i c h u a n Guodong Construction Co. Ltd	850.00	10.64	-10.89%	-11.63%	-11.03%	
12 June 2010	600096 Y u n n a n Yuntianhua Co. Ltd	2,367.47	16.34	-8.61%	-8.62%	-8.76%	
12 June 2010	600567 Anhui Shan Ying Paper Industry Co. Ltd	1,240.00	4.56	-9.7%	-9.13%	-8.87%	
19 June 2010	600978 Guangdong Y i h u a Timber Industry Co. Ltd	849.92	5.20	-5.63%	-9.47%	-8.53%	
19 June 2010	601390 C h i n a R a i l w a y G r o u p Limited	6,239.00	4.11	-10.07%	-9.55%	-9.35%	
21 June 2010	600105						

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23 June 2010	Jiangsu Etern Co. Ltd 600256	609.44	11.73	-12.58%	-12.49%	-10.45%
25 June 2010	Xinjiang Guanghui Industry Co. Ltd 600104	2,500.00	27.49	-12.92%	-11.81%	-12.17%
13 July 2010	Saic Motor Co. Ltd 600391	10,000.00	11.47	-4.81%	-7.31%	-7.94%
13 July 2010	Sichuan Chengfa Aero-science Technology Co. Ltd 600185	1,050.00	15.35	-12.68%	-8.26%	-5.24%
23 July 2010	Xi'an Gree Real Estate Co. Ltd 600172	1,600.00	7.94	-19.23%	-14.57%	-10.19%
	Henan Huanghe Whirlwind Co. Ltd	650.00	6.41	-14.65%	-13.12%	-11.16%
			Minimum	-19.23%	-14.57%	-12.17%
			Maximum	-1.73%	-5.17%	-5.24%
			Average	-10.29%	-10.09%	-9.23%
			Median	-10.48%	-9.51%	-9.11%
	A Shares subscription	8,355.00	5.57	-11.73%	-11.84%	-10.44%

Source: the Shanghai Stock Exchange and Bloomberg

Shareholders should note that the businesses, prospects and use of proceeds of the A Shares Comparables illustrated above are not the same as the Company, as such, this information should be referenced with care.

As illustrated in the table above, the placing/subscription prices of the A Shares Comparables range from (i) a discount of approximately 19.23% to 1.73% to the respective closing prices on the last trading days immediately prior to the date of the respective announcements (the “A Shares Last Trading Day Range”); (ii) a discount of approximately 14.57% to 5.17% to the respective average closing prices for the last five trading days immediately prior to the date of the respective announcements (the “A Shares Last Five Trading Days Range”); (iii) a discount of approximately 12.17% to 5.24% to the respective average closing prices for the last Ten trading days immediately prior to the date of the respective announcements (the “A Shares Last Ten Trading Days Range”); and (iv) a discount of approximately 10.02% to 9.91% to the respective average trading prices for the last Twenty trading days immediately prior to the date of the respective announcements (the “A Shares Last Twenty Trading Days Range”).

Given the A Share subscription price of RMB5.57 represents (i) a discount of approximately 11.73% to the closing price of RMB6.31 per A Share as quoted on the Shanghai Stock Exchange on the Last Trading Date before the Price Determination Date; (ii) a discount of approximately 11.84% to the average closing price of RMB6.318 per A Share as quoted on the Shanghai Stock Exchange for the last five trading days immediately prior to the Price Determination Date; (iii) a discount of approximately 10.44% to the average closing price of RMB6.219 per A Share as quoted on the Shanghai Stock Exchange for the last ten trading days immediately prior to the Price Determination Date; and (iv) a discount of approximately 10.08% to the average trading price of RMB6.194 per A Share as quoted on the Shanghai Stock Exchange for the last twenty trading days immediately prior to the Price Determination Date, the four discounts of the A Share subscription price fall within the A Shares Last Trading Day Range, the A Shares Last Five Trading Days Range, the A Shares Last Ten Trading Days Range, and slightly below the A Shares Last Twenty Trading Days Range respectively. As such, we consider that the A Share subscription price is fair and reasonable.

#### H Share Subscription Price

The subscription price of HK\$4.73 per new H Share represents:

- (a) a premium of approximately 4.88% over the closing price of HK\$4.51 per H Share as quoted on the Stock Exchange on 26 July 2010, being the last trading day preceding the Price Determination Date;
- (b) a premium of approximately 3.82% over the average closing price of HK\$4.556 per H Share as quoted on the Stock Exchange for the five trading days immediately prior to 27 July 2010, the Price Determination Date;
- (c) a premium of approximately 3.71% over the average closing price of HK\$4.561 per H Share as quoted on the Stock Exchange for the ten trading days immediately prior to 27 July 2010, the Price Determination Date; and
- (d) a premium of approximately 3.00% over the average trading price of HK\$4.593 per H Share as quoted on the Stock Exchange for the twenty trading days immediately prior to 27 July 2010, the Price Determination Date.

In order to ascertain the fairness and reasonableness of the H Share subscription price, we consider that it would be appropriate, as well as to our best knowledge, to carry out a market comparison for other issuances of new shares by way of placing or subscription conducted by other non-financial companies listed on the main board of the Stock Exchange which were announced since 1 July 2010 and before the date of the announcement of the Company on 27 July 2010 in relation to the new issue (the “Comparables”) as reference.



Set out below is the summary for the Comparables:

Date of announcement	Stock code and Name of listed Company	Amount raised (HK\$ million)	Placing/ subscription price per share (HK\$)	Approximate premium/ discount of placing/ subscription price per share over/to the closing price on the last trading day prior to the relevant announcement	Approximate premium/ discount of placing/ subscription price per share over/to the average closing price five trading days prior to the release of the relevant announcement	Approximate premium/ discount of placing/ subscription price per share over/to the average closing price ten trading days prior to the release of the relevant announcement	Approximate premium/ discount of placing/ subscription price per share over/to the average trading price twenty trading days prior to the release of the relevant announcement
4 July 2010	0702 Genesis Energy Holdings Limited	2,339.95	0.53	-3.64%	-7.34%	-11.37%	-10.31%
8 July 2010	0981 Semiconductor Manufacturing International Corporation	780.00	0.52	-11.86%	-14.75%	-17.20%	-19.53%
9 July 2010	1226 Garron International Limited	5.20	0.368	-18.22%	-19.65%	-22.44%	-21.05%
11 July 2010	0838 EVA Precision Industrial Holdings Limited	360.00	3.60	-11.33%	-7.64%	-5.34%	-4.31%
12 July 2010	0764 China Star Investment Holdings Limited	25.26	0.55	-16.67%	-17.42%	-19.00%	-19.39%
12 July 2010	0609 Tiande Chemical Holdings Limited	21.00	1.05	-13.93%	-19.72%	-13.44%	-14.05%
13 July 2010	3823						

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20 July 2010	T e c h P r o Technology Development Limited 0686	125.55	0.837	-10.00%	-6.38%	-6.17%	-3.25%
22 July 2010	T i m e Infrastructure H o l d i n g s Limited 0606	140.00	0.50	-23.08%	-12.59%	-11.03%	-14.63%
	C h i n a Agri-industries H o l d i n g s Limited	1,557.50	8.75	-7.89%	-5.16%	-4.78%	-4.59%
			Minimum	-23.08%	-19.72%	-22.44%	-21.05%
			Maximum	-3.64%	-5.16%	-4.78%	-3.25%
			Average	-12.96%	-12.30%	-12.31%	-12.35%
			Median	-11.86%	-12.59%	-11.37%	-14.05%
	H S h a r e s subscription	2,365.00	4.73	4.88%	3.82%	3.71%	3.00%

Source:

the Stock Exchange and Bloomberg

Shareholders should note that the businesses, prospects and use of proceeds of the Comparables illustrated above are not the same as the Company, as such, this information should be referenced with care.

As illustrated in the table above, the placing/subscription prices of the Comparables range from (i) a discount of approximately 23.08% to 3.64% to the respective closing prices on the respective last trading days immediately prior to the date of the respective announcements (the “Last Trading Day Range”); (ii) a discount of approximately 19.72% to 5.16% to the respective average closing prices for the last five trading days immediately prior to the date of the respective announcements (the “Last Five Trading Days Range”); (iii) a discount of approximately 22.44% to 4.78% to the respective average closing prices for the last ten trading days immediately prior to the date of the respective announcements (the “Last Ten Trading Days Range”); and (iv) a discount of approximately 21.05% to 3.25% to the respective average trading prices for the last twenty trading days immediately prior to the date of the respective announcements (the “Last Twenty Trading Days Range”).

Given the H Share subscription price of HK\$4.73 represents (i) a premium of approximately 4.88% over the closing price of HK\$4.51 per H Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of approximately 3.82% over the average closing price of HK\$4.556 per H Share as quoted on the Stock Exchange for the last five trading days immediately prior to the Last Trading Date; (iii) a premium of approximately 3.71% over the average closing price of HK\$4.561 per H Share as quoted on the Stock Exchange for the last ten trading days immediately prior to the Last Trading Date; and (iv) a premium of approximately 3.00% over the average trading price of HK\$4.593 per H Share as quoted on the Stock Exchange for the last twenty trading days immediately prior to the Last Trading Date, all the four premiums of the H Share subscription price are above the Last Trading Day Range, the Last Ten Trading Days Range, the Last Five Trading Days Range and the Last Twenty Trading Days Range respectively. As such, we consider that the H Share subscription price is fair and reasonable.

#### A Share Subscription Price and the H Share Subscription Price

Pursuant to the Subscription Agreements, the subscription price per new A Share is not less than RMB5.57 and the subscription price per new H Share is HK\$4.73. The A Share subscription price represents a premium of approximately 34.96% over the H Share subscription price and the difference in the A Share subscription price and the H Share subscription price is mainly attributable to the difference in valuation and the investors in the A shares market and the H shares market.

To address the difference between the A Share subscription price and the H Share subscription price, we have compared the historical closing prices of the A Shares and the H Shares as set out in the table below:

	A Share price RMB (HK\$)	H Share price HK\$	Premium of A Share price over H Share price (%)
Closing price per Share in the last trading day prior to the Price Determination Date	6.31 (7.232)	4.51	60.35
Average closing price per Share in the five trading days prior to the Price Determination Date	6.318 (7.241)	4.556	58.93
Average closing price per Share in the ten trading days prior to	6.219 (7.127)	4.561	56.26

the Price Determination Date			
Average trading price per Share			
in			
the twenty trading days prior to			
the Price Determination Date	6.194 (7.099)	4.593	54.56

The table above illustrates that the average closing prices/trading price of A Shares were at a premium over the H Shares, ranging from approximately 54.56% to approximately 60.35%, therefore, the valuation and investor's perspective of A share market and H share market is different.

In addition, as advised by the PRC legal advisers to the Company, pursuant to the "Measures on the Administration of Issuance of securities by Listed Companies" and the "Regulations on the Implementation of the Non-public Issue of



Shares of Listed Companies”, the subscription price of the A shares under a non-public issue cannot be lower than 90% of the average trading price for twenty trading days immediately prior to and including the last trading date. In this case, the average trading price for the twenty trading days immediately prior to and including the Last Trading Date was RMB6.194 and its 90% is approximately RMB5.57. In this regard, the Company could not set the A Share subscription price below RMB5.57.

We noted that, from the financial report of the Company as at 31 March 2010 published on the Stock Exchange, the unaudited net asset value per Share attributable to the Shareholders as at 31 March 2010 was approximately RMB3.46. The H Share subscription price represents a premium of 19.28% over the net asset value per share.

We note that, the New A Share Issue (Revised Proposal) and the New H Share Issue (Revised Proposal) are inter-conditional upon each other. Following the New A Share Issue (Revised Proposal), the Company will enter into agreements with nine investors other than Huaneng Group to place and issue new A Shares to them, the number of which is the same as that to be subscribed under the New Issue Connected Transactions. The subscription price shall be the same subscription price for the new A Shares subscribed by Huaneng Group. The weighted average price for subscription of new A Shares and new H Shares is approximately HK\$5.97 per Share, representing a premium of approximately 32.37% over the closing price of HK\$4.51 per H Share on the last trading day and a premium of approximately 50.55% over RMB3.46 of the unaudited net asset value per Share attributable to the Shareholders as at 31 March 2010.

As set out in the paragraph headed “Use of Proceeds” below, the proceeds raised from the New Issue (Revised Proposal) will be used to invest in different projects. Upon completion and launch of the projects, the business scale, market share and production efficiency of the Company will be improved while the industrial structure will be upgraded. Accordingly, the future earning ability of the Company will be improved and it will be beneficial to the Company and Shareholders as a whole.

We noted that, from the financial report of the Company for the three months ended 31 March 2010 published on the Stock Exchange, the asset-liability ratio as at 31 March 2010 was 75.09%, cash and cash equivalents decreased by 26.44% from the same period last year to approximately RMB6.05 billion. As the total investment of the proposed projects of the Company is RMB20.575 billion, the capital contribution in cash by Huaneng Group and investors other than Huaneng Group will provide fund necessary for the proposed project.

Notwithstanding that the H Share subscription price is significantly lower than the A Share subscription price, having considered that, (i) the subscription is a commercial decision of the Company and the subscription prices of A Shares and H Shares were agreed after arm’s length negotiations between the parties involved; (ii) the H Share subscription price represents a premium of approximately 3.00% over the average trading prices for the last twenty trading days immediately prior to the Price Determination Date of HK\$4.593 per H Share and the premium of the H share subscription price is above all the relevant ranges of the Comparables; (iii) the difference in valuation and investors’ perspective in the A shares market and the H shares market; (iv) the H share subscription price represents a premium of approximately 19.28% over the net assets per share as at 31 March 2010; (v) the issue of new A Share and the issue of new H Shares are inter-conditional upon each other, the weighted average subscription price of new A Shares and new H Share represents a premium of approximately 50.55% over the net asset value per share as at 31 March 2010; (vi) the subscription will raise fund for the proposed projects of the Company without requiring the Independent Shareholders to pay any consideration to the Company; and (vii) the legal restriction on setting the A Share subscription price. Hence, we are of the view that the issue of both A Shares and H Shares pursuant to the New Issue Connected Transactions is in the interest of the Company and the Shareholders as a whole.



## G. Use of Proceeds

As set out in the Letter from the Board, an amount of not exceeding RMB8.6 billion from the total proceeds of the New A Share Issue (Revised Proposal) is proposed to be used in the following projects:

No.	Project	Total investment amount of project (in millions of RMB)	Proposed maximum amount of proceed to be invested (in millions of RMB)
1	Gansu Ganhehou Second Wind Power Plant Project	2,037	1,450
2	Gansu Qiaowan Second Wind Power Plant Project	2,047	1,460
3	Gansu Qiaowan Third Wind Power Plant Project (North)	1,050	750
4	Huaneng Kangbao Wind Power (49.5MW) Phase I Project	525	370
5	Jiangsu Huaneng Jinling Power Plant Phase II Project (closing down smaller coal-fired generation units and replacing by larger generation units)	5,160	220
6	Huaneng Fuzhou Power Plant Phase III (Unit No. 5) Expansion Project	2,870	1,790
7	Huaneng Pingliang Power Plant Phase II Expansion Project	4,350	260
8	Hunan Huaneng Yueyang Power Plant Phase III Project (closing down smaller coal-fired generation units and replacing by larger generation units)	2,536	200
9	Repayment of loans to financial institutions	—	2,100
	Total	20,575	8,600

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If the Company has already used its internal fund or funds obtained from banks in the investment of part of the projects before the proceeds from this fund raising exercise becomes available, then the proceeds of the New A Share Issue (Revised Proposal), when available, shall be used to repay relevant bank loans. If the actual amount of the proceeds raised (after deducting the issuing expenses) is insufficient to satisfy the investment needs of the above projects, then the deficiency shall be made up by bank loans or internal funds or other methods by the Company. If the actual amount of the proceeds raised is more than the aggregate of the investment requirements of above projects, the surplus shall be used to supplement the Company's working capital.

The amount of the net proceeds from the New H Share Issue (Revised Proposal) (after deducting the issuing expenses) is planned to increase the capital of SinoSing Power (Pte) Limited, an off-shore company which is wholly-owned by the Company, for development of the overseas business.

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## H. Impact on the Company

As stated in the letter from the Board, after the fund raised from the New Issue (Revised Proposal) is available, the Company's capital on equity basis will be increased, the cash flow will be re-inforced, the financial situation will be improved significantly, its asset/liability structure will be rationalized, its earning power will be further upgraded and hence its competitive edge as a whole will be strengthened. The impacts of the New Issue (Revised Proposal) on the financial position, profitability, cash flow and liabilities are detailed as follows:

### Impact on the financial position

With the completion of the New Issue (Revised Proposal), the capital on equity basis will be increased, the cash flow will be strengthened rapidly while the gearing ratio will be lowered. Also, as the loans from the financial institutions will be repaid, the gearing ratio will be further lowered. This will help reduce the Company's financial risks.

### Impact on profitability

Pursuant to the newly amended "Renewable Energy Law", the State will implement a full-amount protective acquisition system in relation to renewable power generation. This will give support and assurance to the profitability of the four wind power projects in which the proceeds of the New Issue (Revised Proposal) will invest. On the other hand, the expansion projects of the four coal-fired power generation plants in which the proceeds of the New Issue (Revised Proposal) will invest to reinforce the Company's competitive edge in terms of the scale of the installation capacity in the economically developed areas along the coast, the coal affluent areas or power loading centres. Benefited from the relatively high operation efficiency and the integration of the industrial chain of coal-electricity power, the profitability of the Company is expected to further increase.

Also, as the projects are being implemented with the funds raised out of the New Issue (Revised Proposal), the power generation structure of the Company will be further optimized. This will help enhance the profitability of the Company.

### Impact on cash flow

After the completion of the New Issue (Revised Proposal), the cash inflow from the fund-raising activities will be greatly increased. This will have favourable impact on ensuring a smooth commencement of its projects as well as sustainable development of the Company.

### Impact on the Company's liabilities

As at 31 March 2010, the gearing ratio of the Company was approximately 75.09%. Assuming the proceeds from the issue of the new A Shares and the issue of the new H Shares amounted to RMB10.419 billion (Note 7) and the funds raised will be used to repay the loan of RMB2.1 billion to financial institution as planned, the Company's gearing ratio will be decreased to approximately 70.37%. Therefore, the New Issue (Revised Proposal) can enhance the asset and liabilities structure of the Company, which is conducive to minimise the financial risks of the Company.

NoteBased on issuing 1,500 million A Shares at the minimum subscription price of RMB5.57 and the 500 million H 7: Shares at HK\$4.73, at the conversion rate as applied in this letter.

Based on the aforementioned analysis, in particular that, (i) there would be an improvement to financial position of the Company; (ii) enhancement of the overall profitability of the Company; (iii) reinforcement of the cash flow of the Company; and (iv) positive impact on the liabilities of the Company, we are of the view that the New Issue (Revised

Proposal) and the New Issue Connected Transactions are fair and reasonable so far as the Company and its Shareholders are concerned and are in the interest of the Company and its Shareholders as a whole.

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I. Dilution of Independent Shareholders' Holdings

Shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the New Issue (Revised Proposal) (assuming Huaneng Group and Hua Neng HK subscribed for 500 million new A Shares and 500 million new H Shares respectively, and the other designated investors (not exceeding 9 investors in total), have fully paid up the subscription price of the 1,000 million new A Shares):

	Huaneng Group (A Shares)	Hua Neng HK (H Shares)	Designated investors participating in the New A Share Issue (Revised Proposal) (excluding Huaneng Group) (Note 8) (A Shares)	Public (A Shares)	Public (H Shares)	Total
Number of Shares held as at the Latest Practicable Date	6,121,786,667	20,000,000	2,878,213,333	3,035,383,440	12,055,383,440	
% to the existing total issued shares of the Company as at the Latest Practicable Date	50.78%	0.17%	—	23.87%	25.18%	100%
Number of new H Shares/ A Shares held	500,000,000	500,000,000	1,000,000,000	—	—	2000,000,000 (Note 9)
Number of Shares held immediately after completion of the New Issue (Revised Proposal)	6,621,786,667	520,000,000	1,000,000,000	2,878,213,333	3,035,383,440	14,055,383,440
% to the total issued enlarged share capital of the Company immediately after completion of the New Issue (Revised Proposal)	47.11%	3.70%	7.11%	20.48%	21.60%	100%

For comparison purpose only: % to the total issued enlarged share capital of the Company immediately after completion of the New Issue (Original Proposal)(Note 10)	47.76%	3.08%	5.86% (Note 11)	21.08%	22.23%	100%
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Note 8: Assuming that the designated investors do not hold any Shares of the Company and are the third parties independent of the Company and its connected persons.

Note 9: The number of new H Shares and new A Shares represents approximately 16.59% of the existing issued share capital of the Company as at the Latest Practicable Date.

Note 10: Extracted from our letter dated 29 January 2010 regarding the New Issue (Original Proposal).

Note 11: Shareholding in the Company by the designated investors participating in the New A Share Issue (Original Proposal)(excluding Huaneng Group)



As illustrated from the table above, the shareholding in the Company by Huaneng Group (including its direct holding of the H Shares through Hue Neng HK) would decrease from approximately 50.95% to 50.81% after the completion of the New Issue (Revised Proposal). The shareholding in the Company by the public other than Huaneng Group and other designated investors participating in the New A Share Issue (Revised Proposal) would decrease from approximately 49.05% to approximately 42.08%. The shareholding in the Company by the public Shareholders of A Shares would be diluted from approximately 23.87% to approximately 20.48% (excluding the designated investors participating in the New A Share Issue) and the shareholding in the Company by the public Shareholders of H Shares would be diluted from approximately 25.18% to approximately 21.60%.

By comparing with the dilution effect of the New Issue (Original Proposal) (as illustrated in the figures as mentioned in Note 10), the shareholding in the Company by Huaneng Group (including its direct holding of the H Shares through Hue Neng HK) would further decrease from approximately 50.84% (under the New Issue (Original Proposal)) to 50.81% (under the New Issue (Revised Proposal)) after the completion of the New Issue (Original Proposal) and the New Issue (Revised Proposal) respectively. The shareholding in the Company by the public other than Huaneng Group and other designated investors would further decrease from approximately 43.31% (under the New Issue (Original Proposal)) to approximately 42.08% (under the New Issue (Revised Proposal)). The shareholding in the Company by the public Shareholders of A Shares would be further diluted from approximately 21.08% (under the New Issue (Original Proposal)) to approximately 20.48% (under the New Issue (Revised Proposal)) (excluding the designated investors participating in the New A Share Issue (Original Proposal) and the New A Share Issue (Revised Proposal) respectively). Also, the shareholding in the Company by the public Shareholders of H Shares would be further diluted from approximately 22.23% (under the New Issue (Original Proposal)) to approximately 21.60% (under the New Issue (Revised Proposal)).

Having taken into account the factors considered in this letter (including the reasons for the New Issue (Revised Proposal) and its impact on the Company), we are of the view that the dilution to the shareholding of the existing Independent Shareholders is reasonable.

Note: In this letter, unless otherwise stated, certain amount denominated in RMB have been converted into HK\$ using an exchange rate of HK\$1.00 to RMB0.87256 for illustration purpose only. The exchange rate does not constitute representations that any amount has been, could have been, or may be exchanged at this or any other rates at all. Certain figures expressed in this letter are the direct aggregation of the relevant figures. There may be slight variation due to the rounding up or down of the last digit.

#### RECOMMENDATION

Taking into account the above principal factors and reasons, we are of the opinion that the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) are fair and reasonable so far as the Company and its Independent Shareholders are concerned and in the interest of the Company and its Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements) at the EGM and the relevant Class Meetings.

Yours faithfully,

For and on behalf of  
Guotai Junan Capital Limited  
Wilson Lo  
Executive Director



## APPENDIX

## GENERAL INFORMATION

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTEREST

## (a) Directors and Supervisors of the Company

As at the Latest Practicable Date, none of the Directors, chief executive or Supervisors of the Company has interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

## (b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director, chief executive or Supervisor of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any other member of the Company.

Name of shareholder	Class of shares	Number of shares heldCapacity (Shares)	Approximate percentage of shareholding in the Company's total issued share capital		H shares	
			Approximate percentage of shareholding in the Company's total issued domestic shares	Approximate percentage of shareholding in the Company's total issued shares		
Huaneng International	Domestic	5,066,662,118(L)	Beneficial	42.03%(L)	56.30%(L)	—

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P o w e r							
Development Corporation#	shares		owner				
China Huaneng Group#	Domestic shares	1,055,124,549(L)	Beneficial owner	8.75%(L)	11.72%(L)		—
China Huaneng Group*	H shares	20,000,000(L)	Beneficial owner	0.17%(L)		—	0.65%(L)
Hebei Provincial Construction Investment Company	Domestic shares	603,000,000(L)	Beneficial owner	5.00%(L)	6.70%(L)		—

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Notes:

(1) The letter “L” denotes a long position. The letter “S” denotes a short position. The letter “P” denotes interest in a lending pool.

# As of the Latest Practicable Date, Huaneng Group holds 51.98% direct interests and an additional 5% indirect interests in Huaneng International Power Development Corporation.

\* China Huaneng Group held 20,000,000 H shares through its wholly owned subsidiary, China Hua Neng Group Hong Kong Limited.

Save as disclosed above, the Company is not aware of any other person (other than the directors, supervisors and senior executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as at the Latest Practicable Date as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no director or supervisor is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Directors

(i) Mr. Cao Peixi is the president of China Huaneng Group and the chairman of Huaneng International Power Development Corporation;

(ii) Mr. Huang Long is the vice president of China Huaneng Group and a director of Huaneng International Power Development Corporation;

(iii) Mr. Wu Dawei is the president/director and chief of Business Department of Huaneng International Power Development Corporation;

(iv) Mr. Huang Jian is the assistant of Manager of China Huaneng Group;

Supervisors

(v) Mr. Guo Junming is the president of Huaneng Capital Services Limited Company; and

(vi) Ms. Wu Lihua is the chief accountant of Finance Department of Huaneng International Power Development Corporation.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Company and its subsidiaries since 31 December 2009, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

4. LITIGATION

None of the Company and its subsidiaries was at present engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company and its subsidiaries as at the Latest Practicable Date.

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5. CONSENT OF EXPERT

The following expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or statements and references to its name in the form and context in which they appear:

Name	Qualification
Guotai Junan Capital	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 New Issue (Revised Proposal) and the New Issue Connected Transactions (including the Subscription Agreements)

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of the Company and its subsidiaries nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had entered into, or proposed to enter into, a service contract with the Company or its subsidiaries which does not expire or is not terminable by the Company and its subsidiaries within one year without payment of compensation, other than statutory compensation.

7. DIRECTORS' OR SUPERVISORS' INTERESTS IN THE COMPANY AND ITS SUBSIDIARIES' ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had any interest in any assets which have been since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates has interests in the businesses, other than being a Director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them were a controlling shareholder).

9.

MATERIAL CONTRACTS

The following contracts (including contracts not entered into in the ordinary course of business) have been entered into by the Company and its subsidiaries within the two years immediately preceding the date of this circular, and are or may be material:

(a) Subscription Agreements (as defined in this circular);

(b) Huaneng Group Framework Agreement as defined in the circular of the Company dated 6 November 2009;

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- (c) Capital Contribution Agreement as defined in the circular of the Company dated 6 November 2009;
- (d) YLQ Co-generation Transfer Agreement as defined in the circular of the Company dated 4 May 2009;
- (e) Beijing Co-generation Transfer Agreement as defined in the circular of the Company dated 4 May 2009;
- (f) Huaneng Group Framework Agreement as defined in the circular of the Company dated 7 November 2008 of the Company;
- (g) Huaneng Finance Framework Agreement as defined in the circular of the Company dated 7 November 2008 of the Company; and
- (h) Transfer Agreement as defined in the circular of the Company dated 10 May 2008 of the Company.

10. MISCELLANEOUS

- (a) Mr. Gu Biquan is the Company Secretary and Board Secretary of the Company. Pursuant to a waiver granted by the Stock Exchange to the Company from strict compliance with Rules 8.17 and 19A.16 of the Hong Kong Listing Rules in relation to the appointment of Mr. Gu Biquan as the Company secretary of the Company dated 20 December 2007, the Company has arranged Mr. Zhang Xinmin, a fellow member of the Association of Chartered Certified Accountants, to provide assistance to Mr. Gu Biquan in the discharge of his duties as the Company Secretary under the Hong Kong Listing Rules.
- (b) The head office and registered address of the Company is West Wing, Building C, Tianyin Mansion, No. 2C, Fuxingmennan Street, Xicheng District, Beijing, PRC. The H Share registrar of the Company in Hong Kong is Hong Kong Registrars Limited at 46/F Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) In the case of any discrepancy, the Chinese text of this circular and form of proxy shall prevail over the English text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Herbert Smith at 23/F., Gloucester Tower, 15 Queen's Road Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 10 September 2010:

- (a) the Articles of Association of the Company;
- (b) the letter from the Independent Directors Committee, as set out in this circular;
- (c) the letter from Guotai Junan Capital, the independent financial adviser, as set out in this circular;
- (d) the written consent of Guotai Junan Capital referred to in this appendix;
- (e) the material contracts referred to in paragraph 9 of this appendix;
- (f) the annual report of the Company for the year ended 31 December 2009; and

(g)

the Subscription Agreements.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the under-signed, thereunto duly authorized.

HUANENG POWER INTERNATIONAL, INC.

By: /s/ Gu Biquan  
Name: Gu Biquan  
Title: Company Secretary

Date: August 9, 2010

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