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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Huadian Power International Corporation Limited\***, you should at once hand this circular and the enclosed proxy form and reply slip to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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**華電國際電力股份有限公司**  
**Huadian Power International Corporation Limited\***

*(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China)*

(Stock Code: 1071)

- (1) PROPOSAL TO OBTAIN GENERAL MANDATE TO ISSUE SHARES;**  
**(2) PROPOSED ISSUANCE AND PLACING OF NEW A SHARES;**  
**(3) CONNECTED TRANSACTION:**  
**PROPOSED SUBSCRIPTION OF NEW A SHARES BY CHINA HUADIAN;**  
**(4) PROPOSED ELECTIONS AND APPOINTMENTS OF**  
**INDEPENDENT NON-EXECUTIVE DIRECTORS;**  
**(5) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;**  
**(6) OTHERS:**  
**PROPOSED PROVISION OF PROJECT LOAN GUARANTEE TO**  
**KAILU WIND POWER COMPANY; AND**  
**PROPOSED ISSUANCE OF SHORT-TERM DEBENTURES**

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



**招商證券(香港)有限公司**  
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

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A letter from the Board is set out on pages 1 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 33 of this circular.

A notice convening the AGM to be held at 2:00 p.m. on Tuesday, 2 June 2009 at Jihua Resort & Convention Center, Xiaotangshan Town, Changping District, Beijing, the PRC is set out on pages 40 to 53 of this circular.

If you are eligible and intend to attend the AGM, please complete and return the enclosed reply slip in accordance with the instructions printed thereon on or before Wednesday, 13 May 2009. Shareholders who intend to appoint a proxy to attend the AGM shall complete and return the enclosed proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the AGM and voting in person if you so wish.

15 April 2009

\* For identification purposes only

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## DEFINITIONS

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

“A Shares”	means listed domestic shares in the ordinary share capital of the Company, with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange;
“AGM”	means the annual general meeting of the Company for the year ended 31 December 2008 to be convened to consider and approve, inter alia, (i) the General Mandate; (ii) the Proposed Placing; and (iii) the CH Subscription Agreement and the CH Subscription contemplated thereunder;
“Articles of Association”	means the articles of association of the Company;
“associates”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Board”	means the board of Directors;
“CH Subscription”	means the subscription of new A Shares by China Huadian pursuant to the CH Subscription Agreement;
“CH Subscription Agreement”	means the subscription agreement relating to the CH Subscription entered into between the Company and China Huadian on 8 April 2009;
“China Huadian”	means 中國華電集團公司 China Huadian Corporation*, a wholly State-owned enterprise and the controlling shareholder of the Company;
“China Merchants Securities”	means China Merchants Securities (HK) Co., Ltd., the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CH Subscription Agreement, being a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO;
“Company”	means 華電國際電力股份有限公司 Huadian Power International Corporation Limited*, a Sino-foreign investment joint stock company limited by shares incorporated in the PRC, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively;

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“CSRC”	means the China Securities Regulatory Commission;
“Directors”	means the directors of the Company;
“Feasibility Analysis Report”	means the feasibility analysis report relating to the use of proceeds from the non-public issuance approved by the Board on 8 April 2009. A full version of the report is available at the website of the Hong Kong Stock Exchange at <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> and the website of the Shanghai Stock Exchange at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;
“General Mandate”	means an unconditional general mandate to be granted to the Directors that during the 12 months from the AGM or up to the conclusion of the next annual general meeting of the Company (whichever is earlier), to either separately or concurrently, allot, issue and/or deal with additional A Shares and H Shares, and to make or grant offers, agreements or options in respect thereof, with the number of A Shares and H Shares issued pursuant to the General Mandate not exceeding 20% of each of the existing issued A Shares and H Shares;
“Group”	means the Company and its subsidiaries;
“H Shares”	means overseas listed foreign shares in the ordinary share capital of the Company, with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	means the independent committee of the Board, comprising Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu, being Independent Non-Executive Directors, established for the purpose of advising the Independent Shareholders in respect of the CH Subscription Agreement and the CH Subscription, with Mr. Zhao Jinghua acting as the chairman;
“Independent Financial Adviser”	means China Merchants Securities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the CH Subscription Agreement;
“Independent Non-Executive Directors”	means the independent non-executive Directors of the Company;
“Independent Shareholders”	means the Shareholders other than China Huadian and its associates, who are neither involved nor interested in the CH Subscription;
“Kailu Wind Power Company”	means 華電內蒙古開魯風電有限公司 Huadian Inner Mongolia Kailu Wind Power Company Limited*, a limited liability company incorporated in the PRC, which is a subsidiary of the Company;
“Latest Practicable Date”	means 10 April 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Last Trading Day”	means 8 April 2009, being the day on which the Board approved the Proposed Placing;
“PRC”	means the People’s Republic of China;
“Price Determination Period”	means the period of 20 trading days ending on 8 April 2009;
“Proposed Placing”	means the proposed placing of not more than 750,000,000 new A Shares by the Company to not more than 10 target subscribers (including China Huadian);

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## DEFINITIONS

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“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means share(s) with a par value of RMB1.00 each in the share capital of the Company, including A Shares and H Shares;
“Shareholder(s)”	means the registered holder(s) of the Shares;
“Short-Term Debentures”	means short-term debentures to be issued by the Company;
“Specific Explanatory Report”	means the specific explanatory report approved by the Board on 8 April 2009 in relation to the proceeds raised from a public offer of 765,000,000 A Shares by the Company in 2005. A full version of the report is available at the website of the Hong Kong Stock Exchange at <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> and the website of the Shanghai Stock Exchange at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ;
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“trading day”	means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities; and
“%”	means per cent.

*All amounts in RMB have been translated into HK\$ at the rate of HK\$1.00 = RMB0.88 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 or at all.*

*\* For identification purposes only*

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LETTER FROM THE BOARD

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華電國際電力股份有限公司  
Huadian Power International Corporation Limited\*

(A Sino-foreign investment joint stock company limited by shares incorporated in the PRC)

(Stock Code: 1071)

*Directors:*

Yun Gongmin (*Chairman, Non-Executive Director*)  
Chen Feihu (*Vice Chairman, Non-Executive Director*)  
Meng Fanli (*Vice Chairman, Non-Executive Director*)  
Chen Jianhua (*Executive Director*)  
Wang Yingli (*Non-Executive Director*)  
Chen Bin (*Non-Executive Director*)  
Zhong Tonglin (*Executive Director*)  
Chu Yu (*Non-Executive Director*)  
Zhao Jinghua (*Independent Non-Executive Director*)  
Ding Huiping (*Independent Non-Executive Director*)  
Wang Chuanshun (*Independent Non-Executive Director*)  
Hu Yuanmu (*Independent Non-Executive Director*)

*Legal address and head office:*

14 Jingsan Road  
Jinan, Shandong Province  
The PRC

*Place of business in Hong Kong:*

8th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

15 April 2009

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSAL TO OBTAIN GENERAL MANDATE TO ISSUE SHARES;  
(2) PROPOSED ISSUANCE AND PLACING OF NEW A SHARES;  
(3) CONNECTED TRANSACTION:  
PROPOSED SUBSCRIPTION OF NEW A SHARES BY CHINA HUADIAN;  
(4) PROPOSED ELECTIONS AND APPOINTMENTS OF  
INDEPENDENT NON-EXECUTIVE DIRECTORS;  
(5) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;  
(6) OTHERS:  
PROPOSED PROVISION OF PROJECT LOAN GUARANTEE TO  
KAILU WIND POWER COMPANY; AND  
PROPOSED ISSUANCE OF SHORT-TERM DEBENTURES**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 8 April 2009 relating to the General Mandate, the Proposed Placing and the CH Subscription Agreement.

\* For identification purposes only

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## LETTER FROM THE BOARD

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On 8 April 2009, the Board announced that the Board has approved the Proposed Placing, pursuant to which the Company shall issue a maximum of 750,000,000 new A Shares for subscription to not more than 10 target subscribers (including China Huadian) at a subscription price of not less than RMB4.50 (approximately HK\$5.11) per A Share. The Board has also announced that as part of the Proposed Placing, the Company has entered into the CH Subscription Agreement with China Huadian on 8 April 2009 pursuant to which, China Huadian will subscribe in cash for not more than 150,000,000 new A Shares of par value of RMB1.00 each. The subscription price per A share by China Huadian shall be the same as the other target subscribers under the Proposed Placing, which shall be not less than RMB4.50 (approximately HK\$5.11) per A Share, with a total subscription price of RMB675 million (approximately HK\$767 million) (assuming subscription of the maximum 150,000,000 new A Shares under the CH Subscription Agreement). The Board has further announced on 8 April 2009 that the Board has resolved to seek the Shareholders' approval for obtaining the General Mandate. As at the Latest Practicable Date, there are 1,431,028,000 H Shares and 4,590,056,200 A Shares in issue. A maximum of 286,205,600 H Shares and 918,011,240 A Shares, representing 20% of each of the existing H Shares and A Shares, can be allotted, issued or dealt with by the Directors pursuant to the General Mandate.

As at the Latest Practicable Date, China Huadian, the controlling shareholder of the Company holding approximately 50.60% equity interests of the Company is a connected person of the Company for the purpose of the Hong Kong Listing Rules. Accordingly, the CH Subscription Agreement and the CH Subscription constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirement under the Hong Kong Listing Rules. An Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the CH Subscription Agreement. China Merchants Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholder on the same.

The purposes of this circular are: (1) to provide information of the terms of: (i) the General Mandate; (ii) the Proposed Placing; (iii) the CH Subscription Agreement and the CH Subscription; (iv) the proposed elections and appointments of Independent Non-Executive Directors; (v) the proposed amendments to the Articles of Association; (vi) the proposed provision of project loan guarantee by the Company to Kailu Wind Power Company; and (vii) the proposed issuance of Short-Term Debentures; and (2) to set out the letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser.

The AGM will be convened on Tuesday, 2 June 2009 at which special and ordinary resolutions will be proposed to approve, among others, the aforementioned (i) to (vii) matters. China Huadian and its associates will not abstain from voting in respect of, among others, the General Mandate and the Proposed Placing, but will abstain from voting in respect of the resolution in relation to the CH Subscription Agreement and the CH Subscription at the AGM.



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## LETTER FROM THE BOARD

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### II. PROPOSAL TO OBTAIN GENERAL MANDATE TO ISSUE SHARES

In order to ensure flexibility and to give discretion to the Directors in the event that it becomes desirable to issue any Shares, the Board has on 8 April 2009 resolved to seek the Shareholders' approval for obtaining the General Mandate, which is an unconditional general mandate to allot, issue and/or deal with additional Shares. As at the Latest Practicable Date, there are 1,431,028,000 H Shares and 4,590,056,200 A Shares in issue. A maximum of 286,205,600 H Shares and 918,011,240 A Shares, representing 20% of each of the existing H Shares and A Shares, can be allotted, issued or dealt with by the Directors pursuant to the General Mandate. However, save for the proposed issuance of new A Shares pursuant to the Proposed Placing, the Company has no current plan to issue any Shares under the General Mandate.

### III. PROPOSED ISSUANCE AND PLACING OF NEW A SHARES

#### 1. Places

The Board announces that the Board has on 8 April 2009 approved the Proposed Placing, pursuant to which the Company shall issue a maximum of 750,000,000 new A Shares for subscription by not more than 10 target subscribers (including China Huadian).

As at the Latest Practicable Date, apart from the CH Subscription Agreement, the Company has not entered into any agreement with any potential investor pursuant to the Proposed Placing. To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, the Company is not aware, apart from China Huadian, that other potential investors and their respective ultimate beneficial owners: (i) are connected persons of the Company; and (ii) it is unknown whether they will become substantial shareholders of the Company upon completion of their respective subscriptions of new A Shares pursuant to the Proposed Placing. The Company will comply with the relevant requirements of the Hong Kong Listing Rules should there be any changes or if otherwise necessary.

#### 2. Number of new A Shares to be issued under the Proposed Placing

A maximum of 750,000,000 new A Shares shall be issued under the Proposed Placing, representing: (i) approximately 16.34% of the existing issued A Shares and approximately 12.46% of the existing issued share capital of the Company; and (ii) approximately 14.04% of the issued A Shares and approximately 11.08% of the total issued share capital of the Company as enlarged by completion of the Proposed Placing (assuming full subscription and issuance of the maximum 750,000,000 new A Shares under the Proposed Placing).

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## LETTER FROM THE BOARD

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### **3. Subscription price**

Under the Proposed Placing, the minimum subscription price for each new A Share is RMB4.50 (approximately HK\$5.11).

The subscription price for the Proposed Placing has been determined by reference to the average trading price of A Shares on the Shanghai Stock Exchange during the Price Determination Period, which represents not less than 90% to such average trading price of A Shares. The average trading price of A Shares during the Price Determination Period is the total turnover of A Shares for the Price Determination Period divided by the total trading volume of A Shares during the Price Determination Period.

On 8 April 2009, the market price of A Share is RMB4.81 (approximately HK\$5.47). The aggregated nominal value of new A Shares to be issued, of par value RMB1.00 each, is RMB750 million (approximately HK\$852 million).

### **4. Conditions of the Proposed Placing**

The Proposed Placing is conditional upon, among other things, (i) the passing of special resolution by the Shareholders at the AGM approving the General Mandate; (ii) the passing of separate special resolutions by the Shareholders at the AGM approving each of the terms of the Proposed Placing as required by relevant PRC regulations and requirements; and (iii) obtaining all necessary consents, approvals and authorizations from the relevant governmental authorities, including but not limited to the approval from CSRC.

The long stop date of the Proposed Placing is 12 months from the date of the AGM. The Directors believe that this is a reasonable timeframe as it would provide the Company adequate time to seek qualified investors from a diversified field.

### **5. Rights of the new A Shares**

The new A Shares to be issued pursuant to the Proposed Placing, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of issue and allotment of such new A Shares.

The retained profits of the Company before the Proposed Placing will be shared among the existing Shareholders and holders of new A Shares upon completion of the subscriptions under the Proposed Placing.

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## LETTER FROM THE BOARD

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### 6. Lock-up period

Under the Proposed Placing, subscribers (other than China Huadian) must not dispose of their new A Shares within 12 months from the date of the completion of the Proposed Placing; and China Huadian must not dispose of its new A Shares within 36 months from the date of the completion of the Proposed Placing.

### 7. Use of Proceeds

The net proceeds from the Proposed Placing will be not more than RMB3,500 million (approximately HK\$3,977 million) which is intended to be used for the following purposes:

- (i) approximately not more than RMB700 million for the coal-power generation projects of Phase II Project of Huadian Ningxia Lingwu Power Generation Company Limited\*;
- (ii) approximately not more than RMB1,000 million for the hydropower projects of Sichuan Huadian Luding Hydropower Company Limited\*;
- (iii) approximately not more than RMB300 million for the wind-power projects of Huadian Hebei Guyuan Wind Power Project;
- (iv) approximately not more than RMB400 million for the heat-power co-generation projects of Huadian Luohe Power Generation Company Limited;
- (v) approximately not more than RMB600 million for the special permit projects of Beiqinghe Wind Power Project in Tongliao, the Inner Mongolia; and
- (vi) approximately RMB500 million will be used to replenish working capital of the Company.

The Directors may exercise their discretion within the scope of aforementioned projects to determine the use of proceeds, the priority of investment and the investment amount in accordance with the factual progress of applicable ratification, approval and endorsement application, the implementation and the funding needs of these projects. Any surplus from the proceeds raised will be applied to repay loans from financial institutions and replenish the working capital of the Company. In the event the amount of proceeds raised under the Proposed Placing is less than the estimated amount, the Company will use alternative methods to finance the aforementioned projects.

The Directors (including the Independent Non-Executive Directors) consider that the terms of the Proposed Placing, including the subscription price, are on normal commercial terms and are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **8. Applications for listing of the new A Shares**

The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the new A Shares.

### **9. The Specific Explanatory Report**

The Company has previously obtained approval from CSRC in 2005 to make a public offer of 765,000,000 A Shares from 20 January 2005 to 27 January 2005. The net proceeds from such offer of A Shares reached RMB1,885,501,153.40, of which, as at 31 December 2005, RMB475,500,000 was used to repay bank loans for acquisition of 80% equity interest in Sichuan Guangan Power Generation Company Limited; RMB320,000,000 was used to repay of bank loans of Guangan Phase II Project and unpaid project fees; RMB60,000,000 was used to invest in Zhongning Company's expansion project; and RMB1,030,000,000 was used to invest in Zouxian Plant Phase IV Project. Such uses were in line with the utilisation plan as disclosed in the prospectus in relation to such offer. Details in relation to the proceeds raised by the Company from the issue of 765,000,000 A Shares in 2005 are set out in the Specific Explanatory Report.

The Specific Explanatory Report is subject to Shareholders' approval by way of an ordinary resolution pursuant to requirements of CSRC. The Specific Explanatory Report will be tabled at the AGM and made available to Shareholders prior to passing of the relevant resolution. The Specific Explanatory Report is also available at the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk> and the website of the Shanghai Stock Exchange at <http://www.sse.com.cn>.

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## LETTER FROM THE BOARD

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### **10. The Feasibility Analysis Report**

The details of use of proceeds from the Proposed Placing are disclosed in the paragraph headed “Use of Proceeds” in section III of this circular. All of the projects disclosed in the aforementioned paragraph have excellent market prospect and economic benefits with good risk resistance capacity and social effects. After their commencement of operation, these projects shall well satisfy their respective regional power demands and provide strong support for their regional economic development. These projects are in line with the strategy of the Company to diversify its development as they can optimize the power structure of the Company, including but not limited to coal power, hydropower, wind power and heat power. Upon commencement and completion of such projects, the Company can greatly improve its business scale, market share and productivities, enabling the Company to enhance its core competitive edge. Proceeds from the Proposed Placing can also optimize the financial structure of the Company by way of reducing the Company’s financial expenses and improving the operation performance of the Company. Details in relation to the use of proceeds to be raised by the Company from the Proposed Placing are set out in the Feasibility Analysis Report. The Feasibility Analysis Report is subject to Shareholders’ approval by way of an ordinary resolution pursuant to requirements of CSRC.

The Feasibility Analysis Report will be tabled at the AGM and made available to Shareholders prior to passing of the relevant resolution and is also available at the website of Hong Kong Stock Exchange at <http://www.hkex.com.hk> and the website of the Shanghai Stock Exchange at <http://www.sse.com.cn>.

### **11. Validity of the resolutions**

The resolutions approving the Proposed Placing to be passed at the AGM will be valid for 12 months, commencing from the date of passing of such resolutions.

### **12. Authorizations to the Board to complete matters related to the Proposed Placing**

The Board also proposes to seek the Shareholders’ approval by way of special resolution to grant the Board, the chairman of the Board and his authorized person (as applicable) to complete matters related to the Proposed Placing.

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## LETTER FROM THE BOARD

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### 13. 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.

**The Shareholders and potential investors should be aware that the Proposed Placing is subject to the conditions set out above, and consequently the Proposed Placing may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.**

## IV. SUBSCRIPTION OF NEW A SHARES BY CHINA HUADIAN

### 1. Number of new A Shares subscribed by China Huadian

As part of the Proposed Placing, the Company has entered into the CH Subscription Agreement with China Huadian on 8 April 2009, pursuant to which China Huadian will subscribe in cash for not more than 150,000,000 new A Shares of par value of RMB1.00 each at the same subscription price as the other target subscribers who shall subscribe for the new A Shares pursuant to the Proposed Placing. Under the Proposed Placing, China Huadian's subscription price shall not be less than RMB4.50 (approximately HK\$5.11) per A Share, with a total subscription price of RMB675 million (approximately HK\$767 million) (assuming subscription of the maximum 150,000,000 new A Shares under the CH Subscription Agreement).

Immediately after completion of the CH Subscription, China Huadian will hold in aggregate of not more than 3,196,923,853 Shares (including not more than 3,111,061,853 A Shares and 85,862,000 H Shares), representing approximately 47.21% (assuming full subscription and issuance of the maximum 750,000,000 new A Shares under the Proposed Placing) of the enlarged total issued share capital of the Company.

As China Huadian is a connected person of the Company, subscription of new A Shares by China Huadian pursuant to the CH Subscription Agreement constitutes a connected transaction under the Hong Kong Listing Rules, which is subject to independent shareholders' approval in accordance with the requirements of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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### 2. Subscription price payment method

According to the CH Subscription Agreement, it has been agreed by the parties that China Huadian shall pay the full amount of its subscription price under the CH Subscription Agreement in cash to the special bank account as designated (provided that China Huadian should be notified in advance) by the sponsor (lead underwriter) when the Company has obtained the necessary approvals from CSRC and has issued new A Shares under the Proposed Placing. Upon completion of the relevant capital verification, the amount of subscription price (after deduction of related fees) paid by China Huadian shall be transferred to the Company's special bank account designated for raised proceeds pursuant to the Proposed Placing.

### 3. Conditions of the CH Subscription Agreement

Save and except that the representation, warranty and undertaking under the CH Subscription Agreement shall become effective upon due execution of the CH Subscription Agreement by the parties therein, the CH Subscription Agreement shall become effective upon the following conditions having been fulfilled:

- (a) China Huadian and the Company having both duly executed the CH Subscription Agreement;
- (b) the approval by the Shareholders by way of special resolutions at the AGM of the Proposed Placing;
- (c) the approval by the Independent Shareholders by way of special resolution at the AGM of the CH Subscription Agreement; and
- (d) all necessary consents, approvals or authorizations from all relevant governmental authorities in respect of the CH Subscription, including but not limited to the approval from CSRC, having been obtained.

The completion of the Proposed Placing is not a condition to the completion of the CH Subscription Agreement. However, in the event the conditions to completion of the Proposed Placing cannot be fulfilled, the CH Subscription (whether or not the conditions of the CH Subscription Agreement have been fulfilled) will not proceed.

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## LETTER FROM THE BOARD

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#### **4. Termination of the CH Subscription Agreement**

The CH Subscription Agreement shall automatically be terminated if by the time China Huadian is required to fulfil its obligations of payment under the CH Subscription Agreement, but still has not yet obtained the waiver from CSRC of the obligation of China Huadian to make a general offer.

#### **5. Lock-up arrangement**

Pursuant to the CH Subscription Agreement, China Huadian has undertaken not to dispose of any of the new A Shares it has subscribed for pursuant to the CH Subscription Agreement within 36 months from the date of the completion of the Proposed Placing.

The terms of the CH Subscription Agreement were determined after arm's length negotiations between the Company and China Huadian. The Directors (including the Independent Non-Executive Directors) considers that the terms of the CH Subscription Agreement, including the subscription price, are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### 6. Effect on shareholding structure of the Company

The table below sets out the Company's existing shareholding structure and the shareholding structure immediately after completion of the Proposed Placing and CH Subscription:

Name of shareholder	Number of Shares held	Prior to the Proposed Placing and completion of the CH Subscription	
		Approximately percentage of shareholding in the total issued A Shares	Approximately percentage of shareholding in the Company's total issued share capital
China Huadian Corporation*	2,961,061,853 A Shares 85,862,000 H Shares	64.51% —	50.60%
Shandong International Trust Corporation	800,766,729 A Shares	17.45%	13.30%
Public holders of A Shares	828,227,618 A Shares	18.04%	13.76%
Public holders of H Shares	1,345,166,000 H Shares	—	22.34%
<b>Total</b>	<b>6,021,084,200 Shares</b>	<b>100%</b>	<b>100%</b>

**Immediately after completion of the Proposed Placing and  
CH Subscription (assuming full subscription of the maximum  
750,000,000 new A Shares under the Proposed Placing)**

Name of shareholder	Number of Shares held	Immediately after completion of the Proposed Placing and CH Subscription (assuming full subscription of the maximum 750,000,000 new A Shares under the Proposed Placing)	
		Approximately percentage of shareholding in the total issued A Shares	Approximately percentage of shareholding in the Company's total issued share capital
China Huadian Corporation*	3,111,061,853 A Shares 85,862,000 H Shares	58.26% —	47.21%
Shandong International Trust Corporation	800,766,729 A Shares	15.00%	11.83%
Public holders of A Shares	828,227,618 A Shares	15.51%	12.23%
Public holders of H Shares	1,345,166,000 H Shares	—	19.87%
Investors under Proposed Placing	600,000,000 A Shares	11.24%	8.86%
<b>Total</b>	<b>6,771,084,200 Shares</b>	<b>100%</b>	<b>100%</b>

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## LETTER FROM THE BOARD

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### **7. Reasons for and benefits of the Proposed Placing and CH Subscription**

The Directors consider that the Proposed Placing and the CH Subscription offer good opportunity to raise further capital to enlarge the capital base of the Company, to reduce the debt-equity ratio of the Group and to enhance the Group's ability to generate profitable growth. The CH Subscription also demonstrates China Huadian's confidence in the Group. The Directors (including the Independent Non-Executive Directors) believe that the terms of the CH Subscription Agreement are fair and reasonable and are in the interests of the Shareholders and the Company as a whole.

## **V. GENERAL INFORMATION OF THE PARTIES TO THE CH SUBSCRIPTION AGREEMENT**

### **1. The Company**

The Company is principally engaged in the construction and operation of power plants and other businesses related to power generation.

### **2. China Huadian**

China Huadian is a wholly State-owned enterprise principally engaged in development, investment, construction, operation and management of power generation, coal and other businesses related to power generation, production and sale of electricity and heat. As at the Latest Practicable Date, China Huadian holds approximately 50.60% equity interest in the Company and is the controlling shareholder of the Company.

## **VI. PROPOSED ELECTIONS AND APPOINTMENTS OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

As at the Latest Practicable Date, the Independent Non-Executive Directors are Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu, who were all first appointed on 22 October 2003.

According to the relevant regulations of CSRC, the consecutive terms of office of independent non-executive directors of listed companies shall not be more than six years. Accordingly, Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu will resign as Independent Non-Executive Directors with effect from the conclusion of the AGM.

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## LETTER FROM THE BOARD

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### **Proposed elections and appointments of Independent Non-Executive Directors**

The Company proposed the following nominations for election and appointment for Independent Non-Executive Directors, subject to the Shareholders' approval by way of separate ordinary resolutions to be proposed at the AGM. The Board also proposed that each of the following candidates shall receive annual remuneration of RMB70,000 (inclusive of tax) during their term of employment as Independent Non-Executive Directors (such amount of annual remuneration was determined with reference to the experience, qualifications and education level of the candidates, as well as the annual remuneration of independent non-executive directors of other similar companies listed on the Hong Kong Stock Exchange):

1. Mr. Wang Yuesheng;
2. Mr. Hao Shuchen;
3. Mr. Ning Jiming; and
4. Mr. Yang Jinguan.

The biographical and other details of the above proposed Independent Non-Executive Directors required to be included in this circular under the Hong Kong Listing Rules are set out in Appendix I to this circular.

Except as disclosed in Appendix I to this circular, none of the candidate for Independent Non-Executive Directors held any directorship of any listed public company in the last three years, and none of them currently holds any position in any other members of the Company's group. Further, none of them has any relationship with any other Directors, supervisors, senior management or substantial or controlling shareholder(s) of the Company. As at the Latest Practicable Date, none of the them has any interest in the Shares within the meaning of Part XV of the SFO.

The appointment of each of the candidates for Independent Non-Executive Directors, subject to approval from the Shareholders at the AGM, will commence at the conclusion of the AGM. Each of them is expected to then enter into an appointment or service contract with the Company for a period commencing from the date of the AGM, and expiring at the conclusion of the Shareholders' meeting appointing the Directors of the sixth session of the Board in or about June 2011.

Save as disclosed in Appendix I to this circular, there are no other matters regarding the candidates for Independent Non-Executive Directors that in the Company's opinion are required to be brought to the attention of Shareholders in accordance with Rule 13.51(2) of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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In accordance with the relevant PRC regulations and relevant rules of the Articles of Association, the election of Independent Non-Executive Directors will adopt the method of accumulative poll. Therefore, each Share held by the Shareholders participating in the poll shall have the voting rights equal to the number of candidates for Independent Non-Executive Directors (i.e. four (4)), and every Shareholder may either cast all his/her votes in respect of one candidate or may split his/her votes and cast them in respect of more than one of the candidates. The total cumulative votes (including votes in favour of, against and abstain from the resolutions) cast by each Shareholder must not in number exceed the total voting rights to which he/she is entitled.

### VII. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

According to the “Notice of Shanghai Stock Exchange in relation to Well-preparation of 2008 Annual Report by Listed Companies”, the Company is required to amend the Articles of Association to specify its cash dividends policy in accordance with the “Decisions on Amending Some Provisions on Cash Dividends by Listed Companies” published by CSRC on or before 30 June 2009.

For the purpose of complying with such regulatory requirements from the Shanghai Stock Exchange and to clarify the scope of senior management of the Company, the Board considers that it is in the interest of the Company to amend the Articles of Association. The Board also considers that the proposed amendments have no material effect on the Articles of Association.

In accordance with the Articles of Association, the Company may by special resolution in general meeting at any time alter or amend the Articles of Association in whole or in part. The proposed amendments to the Articles of Association are set out in Appendix II to this circular.

### VIII. OTHERS

#### 1. Proposed provision of project loan guarantee by the Company to Kailu Wind Power Company

Reference is made to the announcement dated 8 April 2009 in relation to the resolutions of the Board passed on the same date. The Board has approved that the Company will provide a project loan guarantee with joint and several liabilities in the amount of not more than RMB2,670 million (approximately HK\$3,034 million) to Kailu Wind Power Company (upon completion of its restructure), which is a subsidiary of the Company.

As the liabilities to assets ratio of Kailu Wind Power Company exceeds 70%, the provision of project loan guarantee by the Company to Kailu Wind Power Company shall be approved by ordinary resolution of the Shareholders at the AGM in accordance with the requirements of the relevant PRC regulatory authorities and the “Rules of Management Methods on External Guarantees” of the Company.

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## LETTER FROM THE BOARD

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### 2. Proposed issuance of Short-Term Debentures

Reference is made to the announcement dated 8 April 2009 in relation to the resolutions of the Board passed on the same date. The Board has approved the Company to issue Short-Term Debentures which shall be approved by special resolution of the Shareholders at the AGM according to the Articles of Association.

Short-Term Debentures will be issued with a principal balance not exceeding RMB3,000 million, which can be issued by way of one or multiple issuance. The term of authorization of the Short-Term Debentures shall commence from the date of granting of the approval at the AGM and expire at the conclusion of the annual general meeting of the Company for the year ending 31 December 2009. The application and issuance of Short-Term Debentures, including the time, interest rate, plan and use of proceeds shall be determined according to the market conditions.

## IX. THE AGM

To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, China Huadian is the controlling shareholder of the Company, holding approximately 50.60% equity interests of the Company. Hence, China Huadian is a connected person of the Company for the purpose of the Hong Kong Listing Rules. Accordingly, the subscription of new A Shares pursuant to the CH Subscription Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirement under the Hong Kong Listing Rules.

The Company will convene the AGM for the Shareholders or the Independent Shareholders (as the case may be) to consider and, if appropriate, approve, among others: (i) the General Mandate by way of special resolution; (ii) the terms of the Proposed Placing by way of separate special resolutions; (iii) the terms of the CH Subscription Agreement and the CH Subscription by way of special resolution (China Huadian and its association(s) will abstain from voting on this resolution); (iv) the Feasibility Analysis Report by way of ordinary resolution; (v) the Specific Explanatory Report by way of ordinary resolution; (vi) the proposed elections and appointments of Independent Non-Executive Directors by way of separate ordinary resolutions; (vii) the proposed amendments to the Articles of Association by way of special resolution; (viii) the provision of project loan guarantee by the Company to Kailu Wind Power Company by way of ordinary resolution; and (ix) the proposed issuance of Short-Term Debentures by way of special resolution.

The Independent Board Committee, comprising all the Independent Non-Executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the CH Subscription Agreement and whether the CH Subscription Agreement and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same matter.

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## LETTER FROM THE BOARD

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### X. RECOMMENDATION

The Directors are of the opinion that the terms of the General Mandate, the terms of the Proposed Placing, the proposed elections and appointments of Independent Non-Executive Directors, the proposed amendments to the Articles of Association, the provision of project loan guarantee by the Company to Kailu Wind Power Company and the proposed issuance of Short-Term Debentures are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and accordingly, recommend the Shareholders to vote in favor of the relevant resolutions to be proposed at the AGM.

The Directors are of the opinion that the terms of the CH Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and accordingly, recommend the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the AGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this circular and the letter of advice from the Independent Financial Adviser set out on pages 18 to 33 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolution approving the CH Subscription Agreement.

### XI. FURTHER INFORMATION

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

Yours faithfully,  
By order of the Board  
**Huadian Power International Corporation Limited\***  
**Yun Gongmin**  
*Chairman*



華電國際電力股份有限公司  
**Huadian Power International Corporation Limited\***

*(A Sino-foreign investment joint stock company limited by shares incorporated in the PRC)*

(Stock Code: 1071)

15 April 2009

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
SUBSCRIPTION OF NEW A SHARES BY CHINA HUADIAN**

We refer to the circular dated 15 April 2009 (the “Circular”) to the Shareholders of Huadian Power International Corporation Limited\* (the “Company”) of which this letter forms a part. Unless otherwise specified, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the CH Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. China Merchants Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board on pages 1 to 16 of the Circular and the letter from the Independent Financial Adviser set out on pages 18 to 33 of the Circular.

Having considered the advice given by the Independent Financial Adviser, we are of the opinion that the terms of the CH Subscription Agreement and CH Subscription contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the AGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Huadian Power International Corporation Limited\***

*Independent Non-Executive Directors*

**Zhao Jinghua, Ding Huiping, Wang Chuanshun, Hu Yuanmu**

\* *For identification purposes only*

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## LETTER FROM CHINA MERCHANTS SECURITIES

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*The following is the text of the letter of advice from China Merchants Securities to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



48th Floor,  
One Exchange Square,  
Central,  
Hong Kong

15 April 2009

Huadian Power International Corporation Limited  
14 Jingsan Road  
Jinan, Shandong Province  
The People's Republic of China

*To: the Independent Board Committee and the Independent Shareholders of  
Huadian Power International Corporation Limited*

Dear Sirs,

### **CONNECTED TRANSACTION: PROPOSED SUBSCRIPTION OF NEW A SHARES BY CHINA HUADIAN**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the CH Subscription Agreement and the CH Subscription, details of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 15 April 2009 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, China Huadian was the controlling shareholder of the Company, holding approximately 50.60% equity interests of the Company. Thus, China Huadian is a connected person of the Company for the purpose of the Hong Kong Listing Rules. Accordingly, the CH Subscription Agreement and the CH Subscription constitute connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirement under the Hong Kong Listing Rules. China Huadian and its associates will abstain from voting on the resolution in relation to the CH Subscription Agreement and the CH Subscription at the AGM.



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## LETTER FROM CHINA MERCHANTS SECURITIES

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In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide you with an independent opinion and recommendation as to whether the CH Subscription Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Group and the Shareholders as a whole.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation, we have relied on the accuracy of the information and facts supplied, and the opinions expressed by the Group, the Directors and the Group's management to us. We have assumed that all statements of belief and intention made by the Directors and the Group's management in the Circular were made after due enquiries. We have also assumed that all information, representations and opinion made or referred to in the Circular were true, accurate and complete at the time they were made and will continue to be true at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors and the Group's management, and have been advised by the Directors that no material facts have been omitted from the information provided by or referred to in the Circular.

In rendering our opinion, we have researched, analyzed and relied on information in relation to the Group and the CH Subscription as set out below:

- (i) the CH Subscription Agreement;
- (ii) the results announcement dated 8 April 2009 issued by the Company (the “**2008 Results Announcement**”); and
- (iii) the Circular.

We have also researched, analyzed and relied on information published on:

- (i) the official website of The People's Bank of China; and
- (ii) the official website of the Shanghai Stock Exchange.

We have assumed such information to be accurate and reliable and have not carried out any independent verification on the accuracy of such information, which provides us with a basis on which we have been able to formulate our independent opinion. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Hong Kong Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any form of in-depth investigations into the business affairs, financial position and future prospects of the Group and the parties to the CH Subscription, nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Group, the Directors and the Group's management.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the CH Subscription Agreement and the CH Subscription, we have considered the following principal factors and reasons:

#### I. BACKGROUND

##### 1. *Information on the Group*

The Group is one of the largest independent listed power generation companies in the PRC. The principal activities of the Group include construction and operation of power plants and other business related to power generation. The Group's audited turnover and net profit attributable to the Shareholders for the two years ended 31 December 2008 (prepared under the International Financial Reporting Standards (the "IFRS")) are set out below:

	Year ended 31 December	
	2007	2008
	(RMB million)	(RMB million)
	(Audited)	(Audited)
The Group's turnover	20,341	29,997
The Group's net profit (loss) attributable to the Shareholders	1,197	(2,560)

The Group's audited turnover increased from approximately RMB20,341 million in the year ended 31 December 2007 to approximately RMB29,997 million in the year ended 31 December 2008, representing an increase of approximately 47.5%. As referred to in the 2008 Results Announcement, (i) the revenue generated from sale of electricity for the year ended 31 December 2008 amounted to approximately RMB29,275 million, representing an increase of approximately 46.3% as compared with the corresponding amount in the year ended 31 December 2007; and (ii) the revenue generated from sale of heat for the year ended 31 December 2008 amounted to approximately RMB722 million, representing an increase of approximately 117.3% as compared with the corresponding amount in the year ended 31 December 2007. The increase in the Group's turnover was mainly attributable to the acquisition of four power enterprises in the PRC in 2008, the growth in volume of electricity sold and the effect of two upward adjustments to on-grid tariff in 2008.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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Despite the Group's business expansion, the Group recorded an audited net loss attributable to the Shareholders of approximately RMB2,560 million in the year ended 31 December 2008, which was in sharp contrast with the Group's audited net profit attributable to the Shareholders of approximately RMB1,197 million in the year ended 31 December 2007. As advised by the Directors, the Group's net loss in the year ended 31 December 2008 was mainly attributable to, among other factors:

- (i) the increase in coal consumption from approximately RMB11,561 million in the year ended 31 December 2007 to approximately RMB22,660 million in the year ended 31 December 2008, as a result of rising coal prices;
- (ii) the increase in depreciation and amortization expenses from approximately RMB2,858 million in the year ended 31 December 2007 to approximately RMB3,669 million in the year ended 31 December 2008, as a result of acquisition of four power enterprises in 2008 and additional depreciation of newly operated units; and
- (iii) the increase in staff costs from approximately RMB1,151 million in the year ended 31 December 2007 to approximately RMB1,511 million in the year ended 31 December 2008, as a result of acquisition of four power enterprises in 2008 and increase in operating staff of newly operated units.

### 2. *Information on China Huadian*

As referred to in the Letter from the Board, China Huadian is a wholly State-owned enterprise which is principally engaged in development, investment, construction, operation and management of power generation, coal and other businesses related to power generation, production and sale of electricity and heat. As at the Latest Practicable Date, China Huadian holds approximately 50.60% equity interest in the Company and is the controlling shareholder of the Company.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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### II. REASONS FOR AND BENEFITS OF THE CH SUBSCRIPTION AGREEMENT

#### *I. The Proposed Placing*

As referred to in the Letter from the Board, the Board approved the Proposed Placing on 8 April 2009, pursuant to which the Company shall issue a maximum of 750,000,000 new A Shares for subscription by not more than 10 qualified investors (including China Huadian).

The net proceeds from the Proposed Placing will be not more than RMB3,500 million, which are intended to be used for:

- (i) approximately not more than RMB700 million for the coal-power generation projects of Phase II Project of Huadian Ningxia Lingwu Power Generation Company Limited;
- (ii) approximately not more than RMB1,000 million for the hydropower projects of Sichuan Huadian Luding Hydropower Company Limited;
- (iii) approximately not more than RMB300 million for the wind power projects of Huadian Hebei Guyuan Wind Power Project;
- (iv) approximately not more than RMB400 million for the heat-power co-generation projects of Huadian Luohe Power Generation Company Limited;
- (v) approximately not more than RMB600 million for the special permit projects of Beiqinghe Wind Power Project in Tongliao, the Inner Mongolia; and
- (vi) approximately RMB500 million will be used to replenish the working capital of the Company.

The Directors may exercise their discretion within the above scope to determine the use of proceeds, the priority of investment and the investment amount in accordance with the factual progress of applicable ratification, approval and endorsement application, the implementation and the funding needs of these projects. Any surplus from the proceeds raised will be applied to repay the loans from financial institutions and replenish the working capital of the Company. In the event the amount of proceeds raised under the Proposed Placing is less than the estimated amount, the Company will use alternative methods to finance its projects.

The Group was loss-making in the year ended 31 December 2008, and the Group's financial position has been adversely affected by the unfavourable market conditions. As set out in the section headed "Business outlook" of the 2008 Results Announcement, the Group's priority for 2009 is to end loss and make profit. The Group has focused on turnaround efforts and aims to enhance the Group's competitiveness. One of the Group's major objectives is to proactively push forth the progress of the Company's preliminary projects, and to further optimize its industrial structure, power source structure and regional structure.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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In order to enhance the Group's financial performance and increase the Shareholders' value, the Group has been exploring new business opportunities which may generate revenue and cashflow contributions to the Group and thereby strengthen the Group's financial position in the long run. The Directors and the Group's senior management have conducted a detailed review of the Group's financial position and operations, and have decided whether any business rationalizations or development of new projects would be appropriate for the Group in view of the recently unfavourable financial results performance and for the purpose of enhancing the Group's long term growth potentials.

In this regard, we were informed by the Directors that the Group has identified and planned a number of new electricity generation projects which are in the ordinary and usual course of the Group's business, including Phase II Project of Huadian Ningxia Lingwu Power Generation Company Limited, the hydropower projects of Sichuan Huadian Luding Hydropower Company Limited, the wind power projects of Huadian Hebei Guyuan Wind Power Project, the heat-power co-generation projects of Huadian Luohe Power Generation Company Limited and the special permit projects of Beiqinghe Wind Power Project in Tongliao, the Inner Mongolia.

The Directors have estimated that the aggregate investment costs of the abovementioned projects to be approximately RMB22 billion. The Directors consider that, given the Group's present financial position, it would be necessary for the Group to raise external funds to finance the abovementioned projects. In addition, part of the proceeds (being approximately RMB500 million) in the Proposed Placing will be used to replenish the working capital of the Company.

Overall, the Directors consider that the Proposed Placing is in line with the Group's major objectives in 2009 as set out in the section headed "Business outlook" of the 2008 Results Announcement.

### 2. *The CH Subscription Agreement*

As part of the Proposed Placing, the Company entered into the CH Subscription Agreement with China Huadian on 8 April 2009, pursuant to which China Huadian will, at a subscription price of not less than RMB4.50 per A Share, subscribe in cash for not more than 150,000,000 new A Shares with a total subscription amount of RMB675 million (assuming subscription of the maximum 150,000,000 new A Shares under the CH Subscription Agreement).

Immediately after completion of the CH Subscription, China Huadian will hold in aggregate of not more than 3,196,923,853 Shares (including not more than 3,111,061,853 A Shares and 85,862,000 H Shares), representing approximately 47.21% (assuming full subscription and issuance of the maximum 750,000,000 new A Shares under the Proposed Placing) of the enlarged total issued share capital of the Company. We are of the view that the injection of new funds from China Huadian demonstrated its support to the Group. In addition, the funds to be received from China Huadian will be employed in new projects which may benefit the Group's business growth in the long run, with a view to revitalize the Group's financial position and financial results performance.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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### 3. *Other meanings of financing*

As advised by the Directors, apart from the Proposed Placing, they have considered various other means of fund raising, including debt financing, placement of new H Shares to independent investors and rights issue.

#### (a) Debt financing

As referred to in the 2008 Results Announcement, (i) the Group's aggregate cash and cash equivalents amounted to approximately RMB1,869 million as at 31 December 2008, whilst its bank borrowings was approximately RMB50,312 million as at 31 December 2008. Based on the aforesaid, the Group's net borrowings to equity ratio (being bank borrowings less cash and cash equivalents, expressed as a percentage of net asset value attributable to Shareholders) was approximately 424% as at 31 December 2008. The Directors consider that the current gearing level of the Group is high.

As referred to in the 2008 Results Announcement, the Group's net finance costs amounted to approximately RMB2,810 million, representing an increase of approximately 103% as compared with the corresponding amount in the year ended 31 December 2007. As set out in the section headed "Business outlook" of the 2008 Results Announcement, one of the Group's major objectives in 2009 is to strengthen capital management, including expansion of financing channels and lowering financing costs.

To achieve the aforesaid objective, the Directors aim at, among other things, reducing unnecessary financing costs in the current year. Despite the fact that the interest rate for bank loans in the PRC is lower than before (as demonstrated by the fact that the basic interest rate of Renminbi loans of six months to one year, and including one year, by financial institutions has been adjusted from 7.20% per annum on 16 September 2008 to 5.31% per annum on 23 December 2008 by The People's Bank of China), the Directors consider that additional costs of debt financing are not in the interests of the Group and the Shareholders as a whole, as the incurrence of additional financing costs will have a negative impact on the Group's financial results performance.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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(b) Placement of new H Shares in Hong Kong to independent investors

Regarding the viability of other means of equity financing, the Directors advised that, given the recent volatility in the global stock market and depressed market sentiment in Hong Kong, they expect that the H Shares placed to or subscribed by independent investors are likely to be issued at a significant discount to prevailing market price of H Shares in order to attract the interests of the Shareholders or potential investors. Thus, the Directors consider that placement of new H Shares to independent investors will not be in the interests of the Independent Shareholders, given that the issue price of H Shares (which will be based on the prevailing market price of H Shares), after translation into Renminbi for comparison purpose, will be significantly lower than the issue price of new A Shares in the Proposed Placing, which will be based on the higher prevailing market price of A Shares instead of the lower prevailing market price of H Shares.

(c) Rights issue

A rights issue, being an offer by way of rights to existing holders of securities which enables those holders to subscribe securities in proportion to their existing holdings, would involve an offer of rights to all classes of shareholders. As rights issues have to be fully underwritten under Rule 7.19 of the Hong Kong Listing Rules, they have to be completed in a relatively short time frame in order to mitigate the market risk to be borne by underwriters. The Directors consider that there exists certain difficulties for the Company to complete a rights issue in both Hong Kong and the PRC within a short period of time and in strict adherence with a pre-determined timetable in Hong Kong, taking into account the time for application and approval procedures as required by CSRC and/or other PRC authorities varies much from that of the Hong Kong Stock Exchange.

Overall, the issue of new A Shares in the Proposed Placing will strengthen the capital base and financial position of the Group, and would enable the Company to raise funds in a timely manner. In light of the above, we are of the view that it is in the interests of the Group and the Independent Shareholders as a whole to raise funds by the Proposed Placing (and the CH Subscription).

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## LETTER FROM CHINA MERCHANTS SECURITIES

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### III. TERMS OF THE CH SUBSCRIPTION AGREEMENT

#### *I. The terms of the issue of the new A Shares*

##### (a) Issue price of the new A Shares

As referred to in the Letter from the Board, the new A Shares in the Proposed Placing will be issued at the issue price of not less than RMB4.50 per A Share, which was determined by reference to the average trading price of the A Shares on Shanghai Stock Exchange during the Price Determination Period, which represents not less than 90% of such average trading price of A Shares. The average trading price of A Shares during the Price Determination Period is the total turnover of A Shares for the Price Determination Period divided by the total trading volume of A Shares during the same period. The minimum issue price of RMB4.50 per A Share (the “**Minimum Issue Price**”), which is equivalent to approximately HK\$5.11, represents:

- (i) a premium of approximately 166.15% over and above the closing price of HK\$1.92 per H Share as quoted on the Stock Exchange on 9 April 2009, being the last trading day of the H Shares on the Hong Kong Stock Exchange prior to the Latest Practicable Date;
- (ii) a premium of approximately 168.95% over and above the closing price of HK\$1.90 per H Share as quoted on the Stock Exchange on 8 April 2009, being the Last Trading Day;
- (iii) a premium of approximately 172.10% over and above the average closing price of approximately HK\$1.8780 per H Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 175.99% over and above the average closing price of approximately HK\$1.8515 per H Share as quoted on the Stock Exchange for the last 20 trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 182.90% over and above the average closing price of approximately HK\$1.8063 per H Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day.

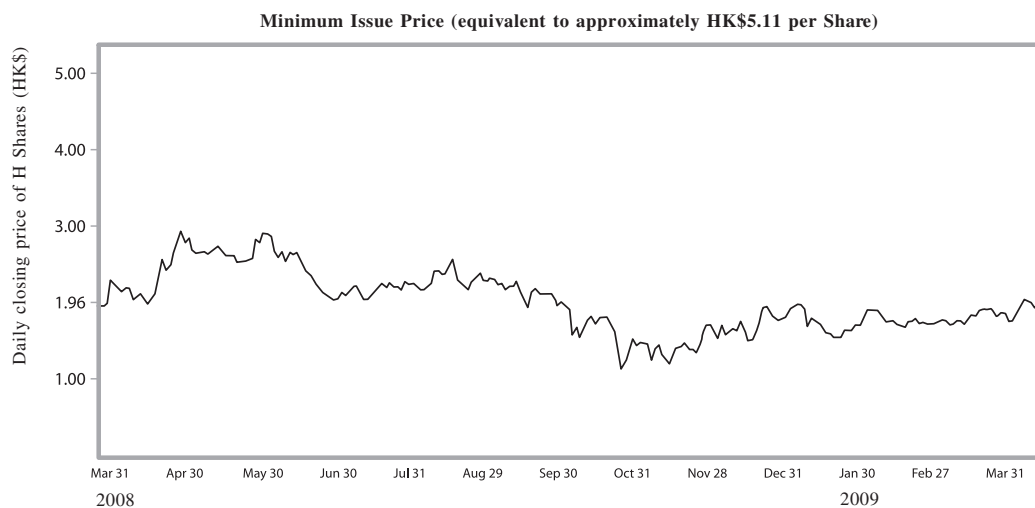


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## LETTER FROM CHINA MERCHANTS SECURITIES

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The chart below depicts the daily closing prices of the H Shares traded on the Stock Exchange from 9 April 2008 (being one year immediately prior to the Last Trading Day) up to and including 8 April 2009, being the Last Trading Day (the “**Review Period**”):



*Source: Bloomberg*

During the Review Period, the H Shares were traded with closing prices in the range of HK\$1.10 per Share to HK\$2.92 per H Share, with an average of closing prices of approximately HK\$1.984 per H Share for the Review Period. As indicated from the chart above, the Minimum Issue Price, which is equivalent to approximately HK\$5.11, is significantly over and above the upper hand of the range of the closing prices of the H Shares traded on the Hong Kong Stock Exchange during the Review Period.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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(b) Comparable of the Minimum Issue Price with comparable issues

In assessing the fairness and reasonableness of the Minimum Issue Price, we have compared the Minimum Issue Price with other issues of new A shares for fund raising in the secondary market of the PRC, which have been announced by companies whose H shares are also listed on the main board of the Stock Exchange from 1 October 2008 up to and including the Latest Practicable Date (the “**Comparable Issues**”), irrespective of whether such issues proceeded or has proceeded to completion or not. In this connection, we have, to the best of our knowledge, identified a total of three Comparable Issues which have fixed the issue prices of new A shares, details of which are set out as follows:

Date of announcement	Name of issuer	Stock code	Nature of issue of A shares	Issue price (RMB)	(Discount)/	(Discount)/	(Discount)/	
					premium of the issue price (to)/over and above the average closing price of A shares for the last 10 consecutive trading days up to and including the last trading day before the respective announcement	premium of the issue price (to)/over and above the average closing price of A shares for the last 10 consecutive trading days up to and including the last trading day before the respective announcement	premium of the issue price (to)/over and above the average closing price of A shares for the last 20 consecutive trading days up to and including the last trading day before the respective announcement	
18 November 2008	Dongfang Electric Corporation Limited	1072.HK/ 600875.SH	Placing of new A shares	20.50	(6.82%)	3.48%	6.55%	
10 December 2008	China Southern Airlines Company Limited	1055.HK/ 600029.SH	Placing of new A shares	3.16	(5.11%)	(10.99%)	(1.25%)	
10 December 2008	China Eastern Airlines Corporation Limited	670.HK/ 600115.SH	Placing of new A shares	3.60	8.11%	(9.77%)	4.05%	
	<b>Highest</b>				8.11%	3.48%	6.55%	
	<b>Lowest</b>				(6.82%)	(10.99%)	(1.25%)	
	<b>Average</b>				(1.27%)	(5.76%)	3.12%	
					(the “ <b>Last Day Average</b> ”)	(the “ <b>10-Day Average</b> ”)	(the “ <b>20-Day Average</b> ”)	
					The Proposed Placing (based on the Minimum Issue Price)	(6.44%)	(10.27%)	(10.25%)

Source: the official website of Shanghai Stock Exchange and Bloomberg

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## LETTER FROM CHINA MERCHANTS SECURITIES

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As shown in the above table, the issue prices of the Comparable Issues were ranged between a premium of approximately 8.11% over and above and a discount of approximately 6.82% to their respective closing prices of A shares on the last trading day immediately prior to the release of the relevant announcements (the “**Last Day Range**”), with an average of discount of approximately 1.27%. We note that the Minimum Issue Price was at a discount of approximately 6.44% to the closing price of the A Shares as at the Last Trading Day, which is within the Last Day Range.

In addition, as shown in the above table, (i) the issue prices of the Comparable Issues ranged between a premium of approximately 3.48% and a discount of approximately 10.99% (the “**10-Day Range**”), as compared with the average closing price per A share on the last 10 consecutive trading days up to and including the last trading day before the respective announcements; and (ii) the issue prices of the Comparable Issues ranged between a premium of approximately 6.55% and a discount of approximately 1.25% (the “**20-Day Range**”), as compared with the average closing price per A share on the last 20 consecutive trading days up to and including the last trading day before the respective announcements.

We noted that (i) the discount of the Minimum Issue Price to the average closing price for the 10 consecutive trading days up to and including the Last Trading Day of approximately 10.27% was within the 10-Day Range; and (ii) the discount of the Minimum Issue Price to the average closing price for the 20 consecutive trading days up to and including the Last Trading Day of approximately 10.25% was below the lower end of the 20-Day Range.

We noted that the Minimum Issue Price compares unfavourably with each of the Last Day Average, the 10-day Average and the 20-day Average. However, as the Minimum Issue Price was within the Last Day Range and the 10-Day Range, and the Minimum Issue Price (after translation into Hong Kong dollars) was at a significant premium over and above the prevailing market prices of H Shares as quoted on the Hong Kong Stock Exchange, we are of the view that the Minimum Issue Price is acceptable so far as the Independent Shareholders are concerned.

Having considered the principal factors and reasons above, we consider the Minimum Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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2. *Conditions precedent to the CH Subscription Agreement*

Completion of the CH Subscription Agreement shall be conditional upon the following conditions precedent being fulfilled:

- (i) China Huadian and the Company having both duly executed the CH Subscription Agreement;
- (ii) the approval by the Shareholders by way of special resolutions at the AGM of the Proposed Placing;
- (iii) the approval by the Independent Shareholders by way of special resolution at the AGM of the CH Subscription Agreement; and
- (iv) all necessary consents, approvals or authorizations from all relevant governmental authorities or other third parties in respect of the CH Subscription, including but not limited to the approval from CSRC, having been obtained.

Completion of the Proposed Placing is not a condition to completion of the CH Subscription Agreement. However, in the event the conditions to completion of the Proposed Placing cannot be fulfilled, the CH Subscription (whether or not the conditions of the CH Subscription Agreement have been fulfilled) will not proceed.

3. *Lock-up arrangement of the new A Shares*

Pursuant to the CH Subscription Agreement, China Huadian has undertaken not to dispose any of the new A Shares for which it has subscribed pursuant to the CH Subscription Agreement within 36 months from the date of completion of the CH Subscription Agreement.

Based on the aforesaid, we consider that the terms of the CH Subscription Agreement is fair and reasonable so far as the interest of the Independent Shareholders is concerned.

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**LETTER FROM CHINA MERCHANTS SECURITIES**

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**IV. OTHER FACTORS TO BE CONSIDERED**

*1. Potential dilution effect on the shareholding interests of the Independent Shareholders upon completion of the Proposed Placing*

The Proposed Placing would dilute the interest of the Independent Shareholders in the issued share capital of the Company. Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Proposed Placing (assuming that there is no other change in the issued share capital of the Company save for the issue of new A Shares between the Latest Practicable Date and the date of completion of the Proposed Placing):

Name of Shareholder	Class of Shares	As at the Latest Practicable Date		Immediately after completion of the Proposed Placing	
		Number of Shares	Percentage of total issued share capital	Number of Shares	Percentage of total issued share capital
China Huadian	A Shares	2,961,061,853	50.60%	3,111,061,853	47.21%
	H Shares	85,862,000	(Note)	85,862,000	(Note)
Shandong International Trust Corporation	A Shares	800,766,729	13.30%	800,766,729	11.83%
Public	A shares	828,227,618	13.76%	828,227,618	12.23%
	H shares	1,345,166,000	22.34%	1,345,166,000	19.87%
Investors in the Proposed Placing	A shares	—	—	600,000,000	8.86%
Total		<u>6,021,084,200</u>	<u>100.00%</u>	<u>6,771,084,200</u>	<u>100.00%</u>

*Note:* Including A Shares and H Shares

Based on the above, the shareholding interest of the existing public Shareholders will be diluted from approximately 36.10% to approximately 32.10% as a result of the Proposed Placing. Despite our observation that there would be a dilution by approximately 4.00% in the existing public Shareholders' interests in the Company, we would advise the Independent Shareholders that the advantages to the Group and the Shareholders by being able to secure funding support by way of the Proposed Placing (and hence the CH Subscription) would outweigh the disadvantages to the existing Independent Shareholders in suffering a dilution in their beneficial interests in the Company.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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In addition, as (i) subscribers (other than China Huadian) will not dispose of their new A Shares within 12 months from the date of completion of the Proposed Placing; and (ii) China Huadian will not dispose of its new A Shares within 36 months from the date of completion of the Proposed Placing, the downward pressure on the price of H Shares and A Shares arising from dilution in their beneficial interests in the Company would be, to a certain extent, be mitigated. Thus, we consider that the dilution in the Independent Shareholders' beneficial interests in the Company is acceptable.

2. *Financial impacts on the Group*

As advised by the Directors, the CH Subscription would bring the following financial effects on the Group:

(a) Net assets value

As referred to in the 2008 Results Announcement, the audited consolidated net asset value of the Group attributable to the Shareholders as at 31 December 2008 were approximately RMB11,426 million, or approximately RMB1.90 per Share (based on 6,021,084,200 Shares in issue as at 31 December 2008).

As the Minimum Issue Price, which is equivalent to approximately HK\$5.11 per Share, far exceeds the audited consolidated net asset value of the Group attributable to the Shareholders as at 31 December 2008 of approximately RMB1.90 per Share, the Directors expect that the Group's consolidated net asset value attributable to the Shareholders would, on a per Share basis, increase as a result of completion of the CH Subscription Agreement.

(b) Gearing

As referred to in the 2008 Results Announcement, (i) the Group's aggregate cash and cash equivalents amounted to approximately RMB1,869 million as at 31 December 2008, whilst its bank borrowings was approximately RMB50,312 million as at 31 December 2008. Based on the aforesaid, the Group's net borrowings to equity ratio (being bank borrowings less cash and cash equivalents, expressed as a percentage of net asset value attributable to the Shareholders) was approximately 424% as at 31 December 2008.

The Directors expect that the Group's net borrowings to equity ratio would decrease immediately after completion of the CH Subscription Agreement, in view of the fact that the CH Subscription will bring in additional funds to the Group in the form of equity.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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(c) Working capital

As the net proceeds from the Proposed Placing will increase the Group's cash position, the Directors expect that the Group's working capital position would be improved immediately after completion of the CH Subscription Agreement.

Overall, the Directors expect that the CH Subscription would not bring any material adverse impact on the Group's financial position.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the advantages which are expected to be brought by the CH Subscription would be instrumental in the achievement of the Group's business growth. In addition, we consider that the CH Subscription Agreement is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Group and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the proposed resolution to approve the CH Subscription Agreement and the CH Subscription at the AGM. We also advise the Independent Shareholders to vote in favour of the proposed resolution to approve the CH Subscription Agreement and the CH Subscription at the AGM.

For and on behalf of  
**China Merchants Securities (HK) Co., Ltd.**  
**Tony Wu**  
*Managing Director and Head of  
Investment Banking Department*

*The biographical details of the Independent Non-Executive Directors proposed to be elected at the AGM are set out as follows:*

**Mr. Wang Yuesheng**, Chinese, age 48, born in July 1960, is a professor and PH.D. tutor. Since he graduated from School of Economics of Peking University in 1985, Mr. Wang has been teaching in Peking University till now. He is currently a professor and PH.D. tutor of School of Economics, the head of the Department of International Economy and a dean of International Economic Research Institute of Peking University. He also serves as an executive director in China Association of World Economic Research, China Association of International Economic Relations and Chinese Association for Russian, East European and Central Asian Studies. His research covers new system economics and economic transition issues, economy in transitional countries; enterprise theory, enterprise system and corporate governance; and contemporary international economy and multinational corporations. His research mainly covers international comparison of economic transition, enterprise theory, international enterprise system and the contemporary international economy in recent years.

**Mr. Hao Shuchen**, Chinese, age 44, born in August 1964, is a professor. Mr. Hao graduated from the Department of Economics of Shandong University with a bachelor's degree in Economics in 1985; from Economic Research Institute of Zhongnan University of Finance and Economics with a master's degree in Economics in 1988, and from the Huazhong University of Science and Technology with a PhD in Management. Mr. Hao taught at the Central College of Public Finance (currently known as Central University of Finance and Economics) from July 1988. He then served in Financial Department of Shandong Finance Institute from April 1991. In October 1999, he was promoted as a professor. Since 2006, he has been a part-time PhD tutor in Shandong University of Science and Technology. He served as the deputy head and the deputy secretary to the party committee of Financial Department of Shandong Finance Institute, academic director of Academic Affairs of Shandong Finance Institute; and vice president, deputy secretary to the party committee and president of Shandong Economics Institute, responsible for the overall administration of the institute. His research mainly covers financial and monetary theory, and the theory and practice of State-owned economy.

**Mr. Ning Jiming**, Chinese, age 52, born in April 1957, is a professor with a PH.D. degree. Mr. Ning graduated from Shandong University in 1975. Currently, he is President of the School of International Education of Shandong University, and also a member of the Academic Committee of Shandong University, the Academic Degree Committee of the State Council and the Consultant Committee for Master's Degree Education for National Chinese Language International Education of the Ministry of Education. He was Consul of Chinese General Consulate in Toronto (First Level Secretary). His research covers human capital theory, corporate organization and management, public economics and language economic theory.



**Mr. Yang Jinguang**, Chinese, age 46, born in April 1963, is an accounting professor. Mr. Yang graduated from Accounting Department of Central College of Public Finance (currently known as Central University of Finance and Economics) firstly with a bachelor's degree in Economics in July 1983 and then with a master's degree in Economics in July 1988. He is currently the secretary to the party committee, vice president, professor and tutor of master degree students of Accounting School of Central University of Finance and Economics. Since September 1983, Mr. Yang has been teaching at the Central University of Finance and Economics, as assistant to lecturer, lecturer, associate professor and professor in bank accounting faculty and financial accounting faculty. He gave lessons to undergraduate students in bank accounting, industrial accounting, cost accounting, management accounting, financial accounting, intermediate financial accounting, advanced financial accounting, etc. From 1996, he started to instruct the graduate students, giving lessons in accounting theory research, management accounting research, etc. He is also a member in China Certified Tax Agents Association, the Financial Cost Academy of Young and Middle-aged Scholars and China Accounting Society, and a non-practicing member of Chinese Institute of Certified Public Accountants (non-practicing CPA in China). He was an independent director of Beijing Chemical No. 2 Co., Ltd. and Ningxia Dayuan Chemical Co., Ltd., and a CPA in Zhonghui Certified Public Accountants Limited and Tin Wha CPAs, Beijing. His research covers theory and practice of financial accounting, and theory and practice of management accounting.

*Details of the proposed amendments to the Articles of Association are set out as follows:*

**1. ARTICLE 7**

**Sub-paragraph 3 of Article 7 of the Articles of Association:**

“The aforementioned proceedings includes lodging a lawsuit in a court or applying for an arbitration in an arbitration institution.”

**be amended to:**

“The aforementioned proceedings includes lodging a lawsuit in a court or applying for an arbitration in an arbitration institution. Other senior management of the Company referred to in this articles of association means the Company’s vice general manager, financial controller, secretary to the board of directors of the Company, general engineer and general economist (if any).”

**2. ARTICLE 180**

**Sub-paragraph 1 of Article 180 of the Articles of Association:**

“The Company will implement active profits distribution methods and value the reasonable investment returns of the investors.”

**be amended to:**

“The Company will implement active profits distribution methods, consider cash dividends in priority, and value the reasonable investment returns of the investors.”

**3. ARTICLE 184**

**Sub-paragraph 2 of Article 184 of the Articles of Association:**

“If required by relevant laws and administrative regulations of the PRC, the Company may withhold the tax arising from the dividends paid to the shareholders.”

**be amended to:**

“If required by relevant laws and administrative regulations of the PRC, the Company may withhold the tax arising from the dividends paid to the shareholders. The Company shall maintain a continuous and stable profits distribution policy. The Company may distribute interim cash dividend.”

### 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

### 2. THE INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SECURITIES OF THE COMPANY

As at the Latest Practicable Date, so far as the Company is aware, none of the Directors, supervisors, chief executives or members of the senior management of the Company and their respective associates had any interest or short position in the Shares, underlying Shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which any such Director, supervisor, chief executive or member of senior management was 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 Issuers as set out in Appendix 10 of the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange (which for this purpose shall be deemed to apply to the supervisors to the same extent as it applies to the Directors).

### 3. CONSENT AND QUALIFICATION OF EXPERT

China Merchants Securities has given and has not withdrawn its consent to the issue of this circular with its letter of advice, report and references to its name included in the form and context in which it appears.

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

<b>Name</b>	<b>Qualifications</b>
China Merchants Securities	A licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the above expert has no shareholding in any member of the Group or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert has no direct or indirect interest in any asset which has been, since 31 December 2007, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

#### **4. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2007, being the date of the latest published audited financial statements of the Company.

#### **5. SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS**

As at the Latest Practicable Date, no Director or supervisor had entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

#### **6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in other business which competes or is likely to compete with the business of the Group.

#### **7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors or supervisors had any interest in any assets which had been since 31 December 2007 (being the date to which the latest published accounts of the Company were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

**8. MATERIAL LITIGATION**

As at the Latest Practicable Date, the Group was a party to certain litigations arising from the ordinary course of business. The likely outcome of such contingent liability, obligations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that, any possible legal liability which may incur from the aforesaid litigation shall not have material adverse effect on the financial position of the Group.

**9. MISCELLANEOUS**

- (a) The secretary of the Company is Mr. Zhou Lianqing. Mr. Zhou is a senior engineer. He graduated from the Shandong University. Mr. Zhou has been a member of the Hong Kong Institute of Chartered Secretaries since 1 January 2005.
- (b) The registered office of the Company is situated at 14 Jingsan Road, Jinan, Shandong Province, the PRC.
- (c) The Hong Kong H Share registrar and H Share transfer office of the Company is Hong Kong Registrars Limited situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principle place of business of the Company during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 30 April 2009:

- (a) the CH Subscription Agreement;
- (b) the letter of recommendation from the Independent Board Committee dated 15 April 2009, the text of which is set out on page 17 of this circular;
- (c) the letter of advice issued by the Independent Financial Adviser dated 15 April 2009, the text of which is set out on pages 18 to 33 of this circular;
- (d) the written consent given by China Merchants Securities as referred to in the paragraph headed "Consent and qualification of expert" in Appendix III of this circular;
- (e) the Feasibility Analysis Report; and
- (f) the Specific Explanatory Report.

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## NOTICE OF AGM

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# 華電國際電力股份有限公司 Huadian Power International Corporation Limited\*

*(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))*

(Stock Code: 1071)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting (the "AGM") of Huadian Power International Corporation Limited\* (the "Company") for the year ended 31 December 2008 will be held at 2:00 p.m. on Tuesday, 2 June 2009 at Jiuhua Resort & Convention Center, Xiaotangshan Town, Changping District, Beijing, the PRC for the purpose of considering and, if appropriate, by way of polls, approving the following resolutions as special resolutions and ordinary resolutions of the Company (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 15 April 2009 (the "Circular") relating to, among other things, the Proposed Placing and the subscription of new A Shares by China Huadian):

### SPECIAL RESOLUTIONS

1. To consider and approve the issuance of Short-Term Debentures:

**"THAT:**

- (a) the Company be authorized to issue Short-Term Debentures with a principal balance not exceeding RMB3 billion according to its capital requirements, and the term of authorization shall commence from the date of granting of the approval at the AGM and expire at the conclusion of the annual general meeting of the Company for the year ending 31 December 2009, such issuance can be once off or multiple; and
- (b) any one executive Director or the financial controller of the Company is authorized to handle matters in relation to the application and issuance of Short-Term Debentures, including the determination of issuance time, interest rate, plan and use of proceeds, and execution of the documents and agreements required for the application and issuance of Short-Term Debentures, including the underwriting agreement and the offering prospectus according to the market conditions."

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## NOTICE OF AGM

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2. To consider and approve the granting of General Mandate (*Note 1*):

**“THAT:**

- (a) The Board be and is hereby granted, during the Relevant Period (as hereafter defined), an unconditional general mandate to separately or concurrently issue, allot and/or deal with additional domestic shares (the “**A Shares**”) and/or overseas listed foreign invested shares (the “**H Shares**”) of the Company, and to make or grant offers, agreements or options in respect thereof, subject to the following conditions:
- (i) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements or options which might require the implementation or exercise of such powers after the end of the Relevant Period;
  - (ii) the number of the A Shares and/or H Shares to be issued and allotted or agreed conditionally or unconditionally to be issued and allotted separately or concurrently by the Board pursuant to the General Mandate shall not exceed 20% of each of its existing issued A Shares and/or H Shares respectively; and
  - (iii) the Board will only exercise its power under such mandate in accordance with the Company Law of the PRC and the Hong Kong Listing Rules (as amended from time to time) or applicable laws, rules and regulations of other government or regulatory bodies and only if all necessary approvals from CSRC and/or other relevant PRC government authorities are obtained.
- (b) For the purposes of this special resolution:

**“Relevant Period”** means the period from the passing of this special resolution until the earliest one of the following three terms:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the 12-month period following the passing of this special resolution in a general meeting; or
- (iii) the date on which the authority granted to the Board set out in this special resolution is revoked or varied by a special resolution of the Shareholders in a general meeting.

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## NOTICE OF AGM

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- (c) Contingent on the Board resolving to separately or concurrently issue Shares pursuant to paragraph (a) of this special resolution, the Board be authorized to increase the registered capital of the Company to reflect the number of Shares authorized to be issued by the Company pursuant to paragraph (a) of this special resolution and to make such appropriate and necessary amendments to the Articles of Association as they think fit to reflect such increases in the registered capital of the Company and to take any other action and complete any formality required to effect the separately or concurrently issuance of Shares pursuant to paragraph (a) of this special resolution and the increase in the registered capital of the Company.”
3. To consider and approve each of the following, by way of separate special resolutions, in relation to the Proposed Placing (*Note 2*):
- (1) Class of shares to be issued: RMB denominated ordinary shares (A Shares);
- (2) Nominal value per share: RMB1.00;
- (3) Method of issuance: Non-public offering to target subscribers. Issuance to target subscribers at the right timing by way of non-public offering within 6 months from obtaining necessary approvals from CSRC;
- (4) Target subscribers and lock-up period:
- (i) Not more than ten target subscribers, including securities investment funds management companies, securities companies, trust investment companies, financial companies, insurance institutional investors and other qualified investors. After obtaining the necessary approvals, the Board shall (based on the subscription application bidding prices indicated by the target subscribers) determine the final target subscribers in compliance with the principle to give priority to those target subscribers who submitted higher bidding prices. Such target subscribers shall not dispose their new A Shares within 12 months from the date of completion of the Proposed Placing;
- (ii) Subject to the passing of the below special resolution 4, the target subscribers may include China Huadian, who shall not dispose its new A Shares within 36 months from the date of completion of the Proposed Placing;
- (5) Method of subscription: All target subscribers shall subscribe in cash;



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## NOTICE OF AGM

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- (6) Number of shares to be issued: Not more than 750,000,000 new A Shares. The final number of new A Shares to be issued shall be determined by the Board pursuant to the authorization granted under this resolution after taking into account the market conditions and consultations with the sponsor (lead underwriter) of the Proposed Placing. The number of new A Shares to be issued shall be adjusted accordingly if there is any ex-rights or ex-dividend between the determination date of the issuance price and the issuance date of the Proposed Placing;
- (7) Determination date of the issuance price and the issuance price: The determination date of the issuance price of the Proposed Placing shall be the date of the announcement of the Board's resolution in respect of the Proposed Placing. The issuance price shall not be lower than 90% of the average trading price of A Shares during the 20 trading days immediately preceding the determination date of the issuance price (the average trading price of A Shares during the 20 trading days immediately preceding the determination date of the issuance price is the total turnover of A Shares during the 20 trading days immediately preceding the determination date of the issuance price divided by the total trading volume of A Shares during the 20 trading days immediately preceding the determination date of the issuance price);
- The final issuance price shall be determined by the Board after obtaining the approval documents of the Proposed Placing, pursuant to the authorization granted by the Shareholders and taking into account the relevant laws, regulations, other regulatory documentations and market conditions, and compliance of the principle to give priority to higher bidding prices based on the subscription application bidding prices indicated by the target subscribers and consultations with the sponsor (lead underwriter) of the Proposed Placing. The issuance price shall be adjusted accordingly if there is any ex-rights or ex-dividend between the determination date of the issuance price and the issuance date of the Proposed Placing;

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## NOTICE OF AGM

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- (8) Listing arrangement: After the expiration of the lock-up period, the shares issued pursuant to the Proposed Placing shall be listed on the Shanghai Stock Exchange;
- (9) Use of proceeds (*Note 3*): The proceeds from the Proposed Placing shall be applied as to:
- (i) approximately not more than RMB700 million for the coal-power generation projects of Phase II Project of Huadian Ningxia Lingwu Power Generation Company Limited\*;
  - (ii) approximately not more than RMB1,000 million for the hydropower projects of Sichuan Huadian Luding Hydropower Company Limited\*;
  - (iii) approximately not more than RMB300 million for the wind power projects of Huadian Hebei Guyuan Wind Power Project;
  - (iv) approximately not more than RMB400 million for the heat-power co-generation projects of Huadian Luohe Power Generation Company Limited\*;
  - (v) approximately not more than RMB600 million for the special permit projects of Beiqinghe Wind Power in Tongliao, the Inner Mongolia; and
  - (vi) approximately RMB500 million shall be used to replenish working capital of the Company;
- (10) Arrangement of retained profits: The retained profits before the Proposed Placing shall be shared among the existing and new Shareholders after the completion of the Proposed Placing; and
- (11) Validity period of these resolutions: 12 months from the date of passing of these resolutions.

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## NOTICE OF AGM

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4. To consider, approve and authorize the proposed subscription of the new A Shares by China Huadian and the conditional CH Subscription Agreement (*Note 4*):

**“THAT:**

- (1) China Huadian shall subscribe for not more than 150,000,000 new A Shares pursuant to the Proposed Placing. The final number of new A Shares to be subscribed by China Huadian shall be determined by China Huadian and the Board taking into account the market conditions and consultations with the sponsor (lead underwriter) of the Proposed Placing;
  - (2) China Huadian shall subscribe the new A Shares at the same subscription price as the other investors who subscribe for the new A Shares pursuant to the Proposed Placing. China Huadian shall not participate in the bidding process of the Proposed Placing;
  - (3) China Huadian shall not dispose its new A Shares within 36 months from the date of completion of the Proposed Placing; and
  - (4) the conditional CH Subscription Agreement entered into between China Huadian and the Company on 8 April 2009 be approved and confirmed.”
5. To consider and approve the following authorizations to the Board in connection with the Proposed Placing:

**“THAT:**

- (1) to authorize the Board to handle all things in connection with the Proposed Placing, including but not limited to, determining the method of issuance, number of shares to be issued, issuance price, price determination method, timing and target subscribers;
- (2) to authorize the Board, the Chairman and the authorized person of the Chairman to handle all application matters relating to the Proposed Placing, to formulate, prepare, revise, finalize and execute all information documents relating to the Proposed Placing; and to sign all contracts, agreements and documents relating to the Proposed Placing;
- (3) to authorize the Board to make relevant adjustments to the issuance method of the Proposed Placing in the event there is any change to the policies of the regulatory authorities relating to non-public offerings or there is any change to the market conditions relating to the Proposed Placing, save and except for those matters required to be approved by the Shareholders pursuant to any laws, regulations and the Articles of Association;
- (4) to authorize the Board, the Chairman and the authorized person of the Chairman to handle the capital verification procedures relating to the Proposed Placing;

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## NOTICE OF AGM

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- (5) to authorize the Board, subject to the scope of this resolution, to make appropriate adjustments to the arrangements of the use of proceeds raised from the Proposed Placing accordingly;
  - (6) to authorize the Board, the Chairman and the authorized person of the Chairman to handle the listing of the new A Shares on the Shanghai Stock Exchange and submit relevant documents upon completion of the Proposed Placing;
  - (7) to authorize the Board, the Chairman and the authorized person of the Chairman to make consequential amendments to the relevant provisions in the Articles of Association upon completion of the Proposed Placing and handle relevant approval procedures, and to deal with relevant registration procedures relating to the change of the registered capital of the Company;
  - (8) to authorize the Board to handle all other matters incidental to the Proposed Placing; and
  - (9) the authorizations described in paragraphs (5) to (7) in this resolution shall be valid in the duration of the relevant events commencing from the date of passing of this resolution in a general meeting, other authorizations shall be valid for a period of 12 months from the date of passing of this resolution in a general meeting.”
6. To consider and approve the amendments to the Articles of Association and to authorize one executive Director to make further amendments to the Articles of Association in order to fulfill or accommodate any request that may be raised or made by the relevant authorities and regulatory bodies (*Note 5*).

### ORDINARY RESOLUTIONS

7. To consider and approve the report of the Board for the year ended 31 December 2008. The aforementioned report has been prepared by the Company in compliance with the requirements under the Hong Kong Listing Rules, the listing rules of Shanghai Stock Exchange and relevant rules and requirements for annual report disclosure. Details of the aforementioned report of the Board is available at the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange at <http://www.hkex.com.hk>.
8. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2008. The aforementioned report has been prepared by the Company in compliance with the requirements under the listing rules of Shanghai Stock Exchange and the relevant rules and requirements for annual report disclosure. Details of the aforementioned report of the supervisory committee is available at the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange at <http://www.hkex.com.hk>.
9. To consider and approve the proposed profit distribution proposal of the Company for the year ended 31 December 2008 (*Note 6*).

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## NOTICE OF AGM

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10. To consider and approve the audited financial statements of the Company for the year ended 31 December 2008. The aforementioned financial statements has been respectively prepared by the Company in compliance with the International Financial Reporting Standards and the accounting standards requirements in the PRC. Details of the aforementioned audited financial statements is available at the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange at <http://www.hkex.com.hk>.
11. To consider and approve the re-appointments of KPMG and KPMG Huazhen as international and domestic auditors of the Company, for the year ending 31 December 2009, and to authorize the Board to determine their remuneration.
12. To consider and approve the report of the Independent Non-Executive Directors for the year ended 31 December 2008, Details of the aforementioned report is available at the website of Shanghai Stock Exchange at <http://www.sse.com.cn>. (*Note 7*).
13. To consider and approve the provision of project loan guarantee with joint and several liabilities in the amount of not more than RMB2.67 billion to Kailu Wind Power Company Limited (upon completion of its restructure) by the Company with a guarantee period to be determined with reference to the agreed loan terms between Kailu Wind Power Company and the relevant banks; to authorize the general manager or financial controller of the Company to execute the relevant guarantee agreements and documents. (*Note 8*).
14. To consider and approve that the Company satisfies the conditions for non-public issuance of A Shares under the Administrative Measures for the Issuance of Securities by Listed Companies《上市公司證券發行管理辦法》and Detailed Implementation Rules for the Non-public Issuance of Stocks by Listed Companies《上市公司非公開發行股票實施細則》of the PRC.
15. To consider and approve the Feasibility Analysis Report. A full version of the Feasibility Analysis Report is also available at the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange at <http://www.hkex.com.hk>.
16. To consider and approve the Specific Explanatory Report. A full version of the Specific Explanatory Report is also available at the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of Hong Kong Stock Exchange at <http://www.hkex.com.hk>.

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## NOTICE OF AGM

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17. To consider and approve each of the following, by way of separate ordinary resolutions, in relation to the election and appointment of the Independent Non-Executive Directors of the fifth session of the Board, commencing from the conclusion of the AGM and ending on the expiration date of the fifth session of the Board and to approve each of the Independent Non-Executive Directors shall receive annual remuneration of RMB70,000 (inclusive of tax) during their term of employment as Independent Non-Executive Directors and the Board be authorized to handle related matters (*Note 9*):

17.1 Mr. Wang Yuesheng;

17.2 Mr. Hao Shuchen;

17.3 Mr. Ning Jiming; and

17.4 Mr. Yang Jinguan.

By order of the Board  
**Huadian Power International Corporation Limited\***  
**Yun Gongmin**  
*Chairman*

As at the date of this notice, the Board comprises:

Yun Gongmin (Chairman, Non-executive Director), Chen Feihu (Vice Chairman, Non-executive Director), Meng Fanli (Vice Chairman, Non-executive Director), Chen Jianhua (Executive Director), Wang Yingli (Non-executive Director), Chen Bin (Non-executive Director), Zhong Tonglin (Executive Director), Chu Yu (Non-executive Director), Zhao Jinghua (Independent Non-Executive Director), Ding Huiping (Independent Non-Executive Director), Wang Chuanshun (Independent Non-Executive Director) and Hu Yuanmu (Independent Non-Executive Director).

Beijing, PRC  
15 April 2009

\* *For identification purposes only*

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## NOTICE OF AGM

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*Notes:*

**1. General Mandate**

According to the relevant PRC laws and regulations, even if the General Mandate is obtained, any issue of A Shares shall require Shareholders' approval at Shareholders' meeting.

**2. Proposed Placing of new A Shares by the Company**

The Proposed Placing is conditional upon, among others, obtaining necessary approvals from CSRC.

**3. Use of Proceeds under the Proposed Placing**

In the event the proceeds raised and received from the Proposed Placing are not consistent with the factual progress of applicable ratification, approval and endorsement applications and implementation of these projects, the Company will first fund the investment in the projects with other resources and then replace the same when the proceeds are received. The Board may arrange the use of proceeds according to the factual progress of applicable ratification, approval and endorsement applications, the implementation and the funding needs of these projects within the scope of the projects mentioned under special resolution 3(9) upon receipt of proceeds. The Board may exercise their full discretion to determine the use of proceeds, the priority of investment and the investment amount in accordance with the progress of the projects mentioned under special resolution 3(9). In the event the amount of proceeds raised under the Proposed Placing is less than the estimated amount, the Company will use alternative methods to finance its projects. Any surplus from the proceeds raised shall be applied to repaying the loans from the financial institutions and replenishing the working capital of the Company.

**4. Proposed subscription of new A Shares by China Huadian and the CH Subscription Agreement**

Reference is made to the announcement dated 8 April 2009 and the circular dated 15 April 2009 issued by the Company.

Since China Huadian is the controlling shareholder of the Company, holding approximately 50.60% equity interests of the Company. Hence, China Huadian is a connected person of the Company for the purpose of the Hong Kong Listing Rules. Accordingly, the subscription of new A Shares pursuant to the CH Subscription Agreement and the transactions contemplated thereunder constitute connected transactions of the Company which is subject to approval by independent shareholder as required under Chapter 14A of the Hong Kong Listing Rules. China Huadian and its associates will abstain from voting at the AGM on the special resolution approving the proposed subscription of new A Shares by China Huadian and the transactions and matters incidental thereto.

This resolution shall not be implemented without obtaining necessary approvals from CSRC.

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## NOTICE OF AGM

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### **5. Proposed amendments to the Articles of Association**

According to the “Notice of Shanghai Stock Exchange in relation to Well-Preparation of 2008 Annual Report by Listed Companies”, the Company is required to amend the Articles of Association to specify its cash dividends policy in accordance with the “Decisions on Amending Some Provisions on Cash Dividends by Listed Companies” published by CSRC on or before 30 June 2009.

The amendments to the Articles of Association are set out in Appendix II to the Circular and are available on the website of the Shanghai Stock Exchange at <http://www.sse.com.cn> and the website of the Company at <http://www.hdpi.com.cn>.

The proposed amendments to the Articles of Association is conditional upon, among others, obtaining the authorizations from and filings with the relevant PRC regulatory authorities.

### **6. Profit distribution proposal of the Company for the year ended 31 December 2008**

The Board does not recommend the payment of dividend for the financial year ended 31 December 2008.

### **7. Report of the Independent Non-Executive Directors**

The A Shares are listed on the Shanghai Stock Exchange of the PRC. The report of the Independent Non-Executive Directors for the year ended 31 December 2008 is prepared in compliance with the relevant and applicable PRC regulatory requirements, and shall be proposed for approval by the Shareholders at the AGM as required under such requirements. The report of the Independent Non-Executive Directors is available on the website of the Shanghai Stock Exchange of the PRC at <http://www.sse.com.cn>.

### **8. Proposed provision of project loan guarantee by the Company to Kailu Wind Power Company**

The Company will provide a project loan guarantee with joint and several liabilities in the amount of not more than RMB2,670 million (approximately HK\$3,034 million) to Kailu Wind Power Company (upon completion of its restructure), with a guarantee period to be determined with reference to the agreed loan terms between Kailu Wind Power Company and the relevant banks.

As the liabilities to assets ratio of Kailu Wind Power Company exceeds 70%, the provision of project loan guarantee by the Company to Kailu Wind Power Company shall be approved by ordinary resolution of the Shareholders at the AGM according to the requirements of the relevant PRC regulatory authorities and the “Rules of Management Methods on External Guarantees” of the Company.



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## NOTICE OF AGM

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### 9. Proposed election and appointment of Independent Non-Executive Directors

According to the relevant regulations of CSRC, the consecutive terms of office of independent non-executive directors of listed companies shall not be more than six years. Accordingly, Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu will resign as Independent Non-Executive Directors with effect from the conclusion of the AGM.

(1) Cumulative voting

In accordance with the relative PRC regulations and relevant rules of the Articles of Association, the election of Independent Non-Executive Directors will adopt the method of accumulative poll. Therefore, each Share held by the Shareholders participating in the poll shall have the voting rights equal to the number of candidates for Independent Non-Executive Directors (i.e. four), and every Shareholder may either cast all his/her votes in respect of one candidate or may split his/her votes and cast them in respect of more than one of the candidates. The total cumulative votes (including votes in favour of, against and abstain from the resolutions) cast by each Shareholder must not in number exceed the total voting rights to which he/she is entitled.

(2) Biographical details of the Independent Non-Executive Directors candidates

Biographical and certain relevant details of the candidates for Independent Non-Executive Director required to be disclosed under the Hong Kong Listing Rules and further information regarding the proposed resolutions in relation to the election and appointment of the Independent Non-Executive Director are included as Appendix I to the Circular.

### 10. Eligibility of attending the AGM and closure of the H Share register of members

Shareholders of the Company's H Shares whose names appear on the Company's register of members at the close of business on 30 April 2009 (the "**Registered Shareholders**") are entitled to attend the AGM conditional upon completion of the necessary registration procedures.

The register of members of H Shares will be closed from 1 May 2009 to 2 June 2009, both days inclusive, for the purpose of determining H Shareholders' entitlement to attend the AGM, during which period no transfer of the H Shares will be registered. In order to be entitled to attend the AGM, Shareholders of H Shares are required to deposit their respective instrument(s) of transfer and the relevant share certificate(s) with the H Share registrar, Hong Kong Registrars Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 30 April 2009.

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## NOTICE OF AGM

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### 11. Registration procedures for attending the AGM

- (1) Registered Shareholders who intend to attend the AGM are required to deliver the completed and signed written reply slip to the Secretarial Office of the Board of the Company on or before 13 May 2009. Please use the “Reply Slip for Attendance”, as enclosed with the Circular or a duplicate copy thereof to reply. In addition to the requirements mentioned above, Registered Shareholders who intend to attend the AGM shall also deliver copies of their instrument(s) of transfer and the relevant share certificates to the Secretarial Office of the Board of the Company on or before 13 May 2009.
- (2) Registered Shareholders may deliver the necessary registration documents to the Company in person, by post or by facsimile. Upon receipt of the above documents, the Company shall complete the registration procedures in respect of attending the AGM, and shall issue copies or facsimile copies of admission cards for attending the AGM by post or by facsimile. Shareholders or their proxies may produce such copies of the admission cards at the time of attending the meeting in exchange for the original of the admission cards.

### 12. Proxies

Any Registered Shareholder is entitled to appoint one or more proxies to attend and vote at the AGM on his behalf by completing the “Proxy Form For Use at the Annual General Meeting” (the “**Proxy Form**”) enclosed with the Circular or by completing a duplicate copy thereof. A proxy need not be a shareholder of the Company. Should more than one proxy be appointed, such proxies shall only exercise his/her voting rights on a poll. The Proxy Form shall be signed by a Registered Shareholder or his attorney duly authorized in writing. If the Proxy Form is signed by the attorney of a Registered Shareholder, the power of attorney or other documents of authorization authorizing the attorney to appoint the proxy shall be notarised. If the Registered Shareholder is a corporation, the Proxy Form shall be executed under seal or shall be executed by its director or a duly authorised person. The notarized power of attorney or other authorization documents and the completed Proxy Form shall be delivered to Hong Kong Registrars Limited not less than 24 hours before the time designated for convening the AGM or any adjournment thereof (as the case may be).

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## NOTICE OF AGM

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### 13. Miscellaneous

- (1) Each of the Shareholders (or his proxy) shall exercise his voting rights according to the number of shares with voting rights represented by him and shall be entitled to one vote for each share held.
- (2) The AGM is expected to take about half a day. Shareholders who attend the AGM shall be responsible for their own travel and accommodation expenses.
- (3) The registered address of the Company and the contact details of the Secretarial Office of the Board are as follows:

No. 14 Jingsan Road  
Jinan, Shandong Province  
The People's Republic of China  
Tel No.: (86) 531 8236 6092  
Fax No.: (86) 531 8236 6090/8236 6091

- (4) The address and contact details of Hong Kong Registrars Limited are as follows:

Rooms 1712-1716, 17th floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel No.: (852) 2862 8628  
Fax No.: (852) 2865 0990/2529 6087