
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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*** (the “Company”), you should at once hand this circular and the old proxy form or the new proxy form enclosed with this circular (as the case may be) and reply slip (the old proxy form and the reply slip are despatched on 14 November 2016) 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).

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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)

**(1) CONTINUING CONNECTED TRANSACTIONS; AND
(2) PROPOSED ELECTION AND APPOINTMENT OF A DIRECTOR**

**Independent financial adviser to the
Independent Board Committee and the Independent Shareholders**



中投证券(香港)
CHINA INVESTMENT SECURITIES (HK)

China Investment Securities International Capital Limited

A letter from the Board is set out on pages 1 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 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 17 to 40 of this circular.

The notice and supplemental notice convening the EGM of the Company to be held at 2:30 p.m. on Thursday, 29 December 2016 at Huabin International Hotel, No. 4 Xuanwumennei Street Xicheng District, Beijing, the PRC are set out on pages 45 to 51 of this circular.

If you are eligible and intend to attend the EGM, please complete and return the reply slip despatched on 14 November 2016 in accordance with the instructions printed thereon on or before Thursday, 8 December 2016. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the new proxy form enclosed with this circular in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the new proxy form will not preclude you from attending the EGM and voting in person if you so wish.

12 December 2016

* For identification purpose only

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company;
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Beijing Fuel Logistics”	華電集團北京燃料物流有限公司 Huadian Group Beijing Fuel Logistics Co., Ltd.*, formerly known as 華電峰源（北京）貿易有限公司 Huadian Fengyuan (Beijing) Trading Co., Ltd.*, a company established under the laws of the PRC with limited liability, which is a subsidiary of the Company;
“Board”	means the board of directors of the Company;
“China Huadian”	means 中國華電集團公司 China Huadian Corporation*, a wholly PRC State-owned enterprise, and the controlling shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian;
“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;
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Directors”	means the directors of the Company;
“EGM”	means the extraordinary general meeting of the Company to be convened to consider and to approve: (i) the continuing connected transactions contemplated under the Proposed Coal, Equipment and Services Purchase (Supply) Framework Agreement and the related proposed annual caps and (ii) the proposed election and appointment of a Director;

DEFINITIONS

“Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement”	means the coal, equipments and services purchase (supply) framework agreement entered into between China Huadian and the Company on 12 November 2015 in relation to the mutual supply of coal and provision of products and services between China Huadian and the Group, the principal terms of which have been disclosed in the Company’s announcement dated 12 November 2015 and its circular dated 8 December 2015;
“Group”	means the Company and its subsidiaries as at the Latest Practicable Date;
“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;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	means the independent committee of the Board appointed to advise the Independent Shareholders on the Proposed Coal, Equipment and Services Purchase (Supply) Framework Agreement and related matters pursuant to the requirements of the Hong Kong Listing Rules;
“Independent Financial Adviser” or “China Investment Securities”	means China Investment Securities International Capital Limited (中投證券國際融資有限公司), a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Proposed Coal, Equipment and Services Purchase (Supply) Framework Agreement and the related proposed annual caps;
“Independent Shareholders”	means the Shareholders who are not required to abstain from voting the resolutions for approving the Proposed Coal, Equipment and Services Purchase (Supply) Framework Agreement together with the proposed annual caps and the related continuing connected transactions under the Hong Kong Listing Rules;

DEFINITIONS

“Latest Practicable Date”	means 8 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Miscellaneous and Relevant Services”	has the meaning ascribed to it under paragraph (3) under “Transactions” of section II.2 in the “Letter from the Board” in this circular;
“PRC”	means the People’s Republic of China;
“Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement”	means the coal, equipments and services purchase (supply) framework agreement entered into between China Huadian and the Company on 7 November 2016 in relation to the mutual supply of coal and provision of products and services between China Huadian and the Group, which is subject to the Independent Shareholders’ approval at the EGM;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shareholders”	means shareholders of the Company; and
“%”	means per cent.

* *For identification purposes only*

LETTER FROM THE BOARD



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)

Directors

Zhao Jianguo (*Chairman, Non-executive Director*)
Wang Yingli (*Vice Chairman, Non-executive Director*)
Chen Bin (*Vice Chairman, Executive Director*)
Gou Wei (*Non-executive Director*)
Chu Yu (*Non-executive Director*)
Zhang Ke (*Non-executive Director*)
Ding Huiping (*Independent Non-executive Director*)
Wang Dashu (*Independent Non-executive Director*)
Zong Wenlong (*Independent Non-executive Director*)
Wang Chuanshun (*Independent Non-executive Director*)

Office address:

No. 2 Xuanwumennei Street
Xicheng District
Beijing, the PRC

Place of business in Hong Kong:

36th Floor, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

12 December 2016

To the Shareholders

Dear Sir or Madam,

(1) CONTINUING CONNECTED TRANSACTIONS; AND (2) PROPOSED ELECTION AND APPOINTMENT OF A DIRECTOR

I. INTRODUCTION

Reference is made to: (i) the announcement of the Company dated 7 November 2016 in relation to, among other things, the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement; and (ii) the announcement of the Company dated 17 November 2016 in relation to, among other things, the proposed election of an executive Director.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further information in respect of resolutions regarding the following matters to be proposed at the EGM to enable the Shareholders to make their informed decisions as to how to vote at the EGM:

- (i) the terms of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement, the proposed continuing connected transactions contemplated thereunder and the related proposed annual caps; and
- (ii) the proposed election and appointment of a Director.

II. THE CONTINUING CONNECTED TRANSACTIONS

1. Background

Reference is made to the announcement of the Company dated 12 November 2015 and the circular of the Company dated 8 December 2015 in relation to the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

The continuing connected transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement between the Group and China Huadian are the mutual supply of coal and provision of certain products and services, which will expire on 31 December 2016. The Company intends to continue its existing continuing connected transactions upon the expiry of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement and to renew such agreement with China Huadian.

2. The Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement

On 12 November 2015, the Company entered into the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian. The agreement is for a term of one year commencing from 1 January 2016 and expiring on 31 December 2016.

The principal terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement are set out as follows and have been disclosed in the Company's announcement published on 12 November 2015:

Date: 12 November 2015

Parties: China Huadian; and
the Company

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Existing term: One (1) year commencing from 1 January 2016 and expiring on 31 December 2016

- Transactions:**
- (1) Mutual supply of coal between the Group and China Huadian;
 - (2) Provision to the Group by China Huadian of engineering equipments (including but not limited to transducers, recycled water and desulphurisation systems), systems, products and engineering and construction contracting projects;
 - (3) Provision to the Group by China Huadian of supplies procurement services and other miscellaneous and relevant services, including: (i) services in relation to the production and operation of the generating units of power plants, including overhauls and maintenance services, technological services such as testing of generating units and technology renovation and other services relating to production and operation; (ii) financial agency service and property transaction agency services in the process of capital operations; (iii) CDM registration services for the development and operation of clean energy projects; (iv) relevant quota (such as the quota on power generation rights and the quota of “replacing small units with larger units” on shutting down small generating units) services for the operation and project development of the Group; (v) property management services for the leasing of Huadian Tower, the office building of the headquarters of the Company (collectively “**Miscellaneous and Relevant Services**”); and
 - (4) Provision to China Huadian by the Group of services of overhauls and maintenance of generating units of power plants and alternative power generation and relevant quota services.

Price determination principles: The consideration for the mutual provision or sale of coal, engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement is subject to mutual consent and confirmation by the parties to the agreement, as well as determinations after arm’s length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

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In practice, the then market price of the purchase of coal by the Group is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to the following principles:

- (1) relevant quotations from two or more local independent large-scale coal enterprises; and
- (2) if there are no relevant quotations, the coal price shall be determined by reference to certain independent coal price index, including but not limited to, the Bohai Bay Thermal Coal Price Index, published on various coal industry websites including CQ Coal (秦皇島煤炭網) (<http://www.cqcoal.com>) and SX Coal (中國煤炭資源網) (<http://www.sxcoal.com>). According to the Notice on the Commissioning Operation of the Bohai Bay Thermal Coal Price Index (關於開展環渤海動力煤價格指數試運行工作的通知) issued by the National Development and Reform Commission in 2010, Bohai Bay Thermal Coal Price Index is authorized and guided by the National Development and Reform Committee and is data collected and periodically published by Qinhuangdao Seaborne Coal Market Co., Ltd.. It is an index system which reflects the Free on Board price and price volatility of Bohai Bay thermal coal.

Regarding the internal procedure for the purchase of coal by the Group, the marketing department of the Company shall assess the relevant quotations based on factors such as quality, locality and market conditions, in order to determine the appropriate price for the purchase of coal. If the transaction concerned is a connected transaction, the finance management department and the securities and financing department of the Company shall also review such price based on the same assessment criteria. If two or more of the quotations obtained fall within the price for the purchase of coal determined by the marketing department, factors such as the long-term relationship between the Group and the local large-scale coal enterprise and the ability of such enterprise to provide a stable supply of coal will be considered; with the final approval being made by the deputy general manager of the Company.

In addition, the then market price of the sale of coal by the Group is also generally determined with reference to the local spot market price as at the time of the sales order. The local spot market price is usually determined with reference to the price for the sale of coal as set by the largest supplier of coal by production output in the relevant locality (such price is industry knowledge and a practice followed by other suppliers of coal, which the Company believes is reliable, and may be obtained through quotations for the purchase of coal as discussed above or through the network of the Company). Regarding the internal procedure for the sale of coal by the Group, the marketing department of the Company shall assess the sales price set by the above largest supplier of coal with reference to such factors as quality, the cost for

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the Company in producing or obtaining coal as well as the supply and demand of coal in the market, in order to determine the price for the sale of coal. If the transaction concerned is a connected transaction, the finance management department and the securities and financing department of the Company shall also review such price based on the same assessment criteria, with the final approval being made by the deputy general manager of the Company.

Furthermore, in practice, the consideration for the provision of the various categories of main services by China Huadian to the Group as contemplated under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement will be determined by reference to the following pricing principles:

- (1) pricing will be determined through a bidding process. The bidding process will adhere to the relevant laws and regulations including the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》). The Company has an internal manual regarding the management of the project bidding process. As set out in the internal manual, the Company will make bid initiations setting out, among other things, the specification and requirements (including technicality, quality and pricing) of the relevant services project, criteria for assessing the contractors, and the requirements for the bid price. The entire bidding process will be controlled and managed by the bid evaluation committee. The committee consists of a president, which is a position held by the deputy general manager of the Company, and members of various business departments of the Company including the safety and production department, the finance asset department and the project management department. The bid evaluation committee of the Company will be responsible for (i) ensuring the adherence to the process as set out in the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》); and (ii) reviewing, evaluating and monitoring documents from contractors based on such factors as technicality, quality, pricing, reputation and after-sale services, as well as the requirements in the bid invitation. The bid evaluation committee shall then determine the successful bidder based on the above assessments; and

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- (2) the successful bidding price under the bidding process is subject to further arm's length negotiation with the successful bidder, in such case, the Company would make reference to the historical prices and price trends of the relevant services and products and ensure that such price would be fair and reasonable to the Company and its Shareholders as a whole.

In addition, the consideration for the provision of services by the Group to China Huadian as contemplated under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement will be determined with reference to the cost incurred by the Group in providing such services and the service fees charged by independent third parties in providing similar services. Regarding the internal procedure for the provision of services by the Group to China Huadian, the relevant business department of the Company providing the relevant services shall propose a service fees for the provision of such services with reference to the above factors. If the transaction concerned is a connected transaction, the finance management department and the securities and financing department of the Company shall also review such service fees based on the same assessment criteria, with the final approval made by the deputy general manager of the Company responsible for the relevant service line.

Historical Amounts

The actual amounts and the annual caps of the historical transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the twelve months ended 31 December 2014, twelve months ended 31 December 2015, and for the nine months ended 30 September 2016 are set out below:

	For the twelve months ended 31 December 2014		For the twelve months ended 31 December 2015		For the nine months ended 30 September 2016	
	Actual amount (RMB millions)	Annual caps (RMB millions)	Actual amount (RMB millions)	Annual caps (RMB millions)	Actual amount (RMB millions)	Annual caps (RMB millions)
Transactions						
						Annual caps (in respect of the entire financial year ending 31 December 2016)
Expenditure						
Purchase of coal from China Huadian	3,645	6,000	3,942	6,000	2,235	6,000

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	For the twelve months ended 31 December 2014		For the twelve months ended 31 December 2015		For the nine months ended 30 September 2016	
	Actual amount (RMB millions)	Annual caps (RMB millions)	Actual amount (RMB millions)	Annual caps (RMB millions)	Actual amount (RMB millions)	Annual caps (in respect of the entire financial year ending 31 December 2016) (RMB millions)
Transactions						
Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian	2,196	3,000	2,194	3,000	957	4,500
Revenue						
Sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian	238	2,000	226	2,000	54.91	2,000

As at the Latest Practicable Date, the Company confirms that each of the transaction amount for (i) the purchase of coal from China Huadian, (ii) the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian, and (iii) the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement has not exceeded their respective annual cap for the year ending 31 December 2016.

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3. The Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement

In accordance with the terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, the agreement will expire on 31 December 2016. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and China Huadian, on 7 November 2016, the Company conditionally entered into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian, which, if it becomes unconditional, will be for another term of one year commencing from 1 January 2017 and expiring on 31 December 2017.

Save for the above term of the contract and the maximum annual transaction amounts (as set out below) agreed both parties in the agreement, the principal terms of the transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are substantially the same as the above terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

Condition Precedent

The Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement is conditional upon Independent Shareholders' approval being obtained at the EGM.

Proposed Annual Caps

The Directors propose the proposed annual caps for the transactions contemplated under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial year ending 31 December 2017 as follows:

Transactions	Proposed annual caps for the financial year ending 31 December 2017 (RMB millions)
Expenditure	
Purchase of coal from China Huadian	6,000
Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian (<i>Note 1</i>)	5,000
	<hr/>
Total:	11,000
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Revenue	
Sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian (<i>Note 2</i>)	12,000
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Total:	12,000
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Note 1: Of the estimated annual cap of RMB5 billion, it is estimated that based on the historical amounts and the needs of existing projects of the Company, approximately 90% is for provision of engineering equipments, systems, products and engineering and construction contracting projects, approximately 4% is for provision of the supplies procurement services and approximately 6% is for provision of other Miscellaneous and Relevant Services.

Note 2: Of the estimated annual cap of RMB12 billion, approximately 96% is for sale of coal, approximately 2% is for provision of overhauls and maintenance services and alternative power generation and approximately 2% is for provision of relevant quota services.

In the process of considering the proposed annual caps for the financial year ending 31 December 2017, when estimating the annual cap for the purchase of coal from China Huadian, the Company has considered (i) the historical transaction amounts of such purchases under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, (ii) the expected change in the current status of excess supply over demand in the PRC coal market and therefore the expected increase in coal price due to the tightening of the supply of coal in accordance to the policy of coal production capacity reduction initiated by the National Development and Reform Commission in 2016, and (iii) the demand for coal due to the normal operation of coal-fired generating units with a capacity of 36,680 MW operated by the Group as at the Latest Practicable Date.

Having considered the above, although there is expected to be headroom before the existing annual cap for the purchase of coal from China Huadian is fully utilized, the Group proposes that the annual cap for the purchase of coal from China Huadian for the year ending 31 December 2017 remain the same as the current annual cap under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

The Company proposes to revise the annual cap for the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian from RMB2.0 billion to RMB12.0 billion and to revise the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian to the Group from RMB4.5 billion to RMB5 billion.

When estimating the annual cap for the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian, the Company has mainly considered, among other things: (i) the historical transaction amounts of such sales under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, (ii) the fact that the provision of the relevant services is routine and recurring

LETTER FROM THE BOARD

maintenance work that needs to be conducted regularly, and (iii) the proposed expansion of the business scope of Beijing Fuel Logistics from the purchase and sale of coal to the power generating subsidiaries of the Group to the expanded business scope in 2017 of the sale of coal to the coal-fired generating enterprises of China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi, in addition to the purchase and sale of coal to the power generating subsidiaries of the Group. Factor (iii) mentioned above is of particular relevance in estimating the relevant annual cap since the sale of coal accounts for approximately 96% of the annual cap as mentioned in Note 2 under “Proposed Annual Caps” above.

When estimating the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian to the Group, the Company has mainly considered, among other things: (i) the fact that with 33 projects being approved and under construction as at the Latest Practicable Date, which is currently expected to increase the planned installed capacity of the Company by approximately 14,663 MW, in addition to its existing installed capacity, the Group has been growing in size, and (ii) the fact that the Chinese government has increased the environment requirements. According to the Notice in relation to the Coal-fired Power Plant Ultra Low Emission Transformation Program under the 13th Five-Year Plan (《關於編製「十三五」燃煤電廠超低排放改造方案的通知》) issued by the PRC environmental authority in July 2015, the Company anticipates that certain areas of the PRC (including areas to which our coal-fired generating units operate) shall adopt a more stringent “ultra clean emission” standard, pursuant to which, the Group’s coal-fired generating units need to be further equipped with denitration equipments, and the original desulphurization and dust removal equipments also require upgrade.

Having considered the above, although there is expected to be headroom before the relevant annual caps are fully utilized, the Group proposes to appropriately increase the annual cap for the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian; and to increase the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian to the Group for the year ending 31 December 2017.

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The payment under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement will be made separately (i) by the Company each time when China Huadian sells coal or provides engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services to the Company; and (ii) by China Huadian each time when the Company sells coal and provides services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian.

4. Reasons for and Benefits for Extension of the Existing Continuing Connected Transactions

Considering the long-term relationship between the Group and China Huadian, the fact that the coal mines of the Group and China Huadian are in different localities in which the mutual provision of coal may reduce the overall cost for the procurement of coal and the fact that the mutual provision of relevant services between China Huadian and the Group provides more efficient allocation of labour (in that the timing for the needs of the relevant services which are generally of a maintenance nature may differ), the Company considers that it is beneficial to continue to enter into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian as these transactions have facilitated the Group's principal business and the growth of installation capacity.

The annual caps for the continuing connected transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement have been determined based on the estimated amount of transactions involved and with reference to the historical transaction volumes, the estimated potential growth of the Group and the expected economic growth of China. The Directors consider the annual caps to be fair and reasonable.

The Board (including independent non-executive Directors) considers that (i) the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are entered into in the ordinary course and usual course of business of the Group, on normal commercial terms or better and on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the related proposed annual caps under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are fair and reasonable.

LETTER FROM THE BOARD

5. Hong Kong Listing Rules Implications

China Huadian is the controlling shareholder of the Company and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Proposed Coal, Equipment and Services Purchase (Supply) Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to all applicable requirements including the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Directors propose to put forward the continuing connected transactions and the related proposed annual caps contemplated under the Proposed Coal, Equipment and Services Purchase (Supply) Framework Agreement for approval by the Independent Shareholders at the EGM.

China Huadian, which holds 4,534,199,224 issued A shares, representing approximately 45.97% of the Company's total issued share capital, and its wholly-owned subsidiary, China Huadian Hong Kong Company Limited, which holds 85,862,000 issued H shares of the Company representing approximately 0.87% of the Company's total issued share capital, will abstain from voting on the resolutions to be proposed at the EGM for approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps.

Four Directors, namely, Mr. Li Qingkui (who was previously a Director at the time of passing the Board resolution below), Mr. Chen Jianhua (who was previously a Director at the time of passing the Board resolution below), Mr. Gou Wei and Mr. Chu Yu, who hold positions in or are employees of China Huadian, have abstained from voting on the Board resolutions approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps. Save as mentioned above, none of the Directors have a material interest in the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and hence no such other Director has abstained from voting on such Board resolutions.

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The Independent Board Committee has, in accordance with the Hong Kong Listing Rules, been formed to advise the Independent Shareholders on the continuing connected transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

6. Information on the Parties

Information relating to the Group

The Group is one of the largest comprehensive energy companies in the PRC, and primarily engages in the construction and operation of power plants, including large-scale efficient coal or gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

Information relating to China Huadian

China Huadian, the controlling shareholder of the Company, directly and indirectly holds approximately 46.84% of the Company's total issued share capital as at the Latest Practicable Date. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

III. PROPOSED ELECTION AND APPOINTMENT OF A DIRECTOR

The Board received from China Huadian, the controlling shareholder of the Company which holds more than 3% of the issued share capital of the Company, a notice of its intention to propose one additional resolution for the election and appointment of Mr. Tian Hongbao (田洪寶) as a member of the seventh session of the Board, with a term of office from the end of the EGM to the expiry of the seventh session of the Board, to be submitted to the EGM for consideration and approval in accordance with the relevant requirements of the Articles of Association as well as the laws and regulations of the PRC. The Board has considered and unanimously approved the additional resolution to be submitted to the EGM for approval by the Shareholders.

LETTER FROM THE BOARD

So far as the Director is aware and except as disclosed below, Mr. Tian Hongbao has not held any directorship in public listed company in the last three years and does not hold any position in any other members of the Company's group. Furthermore, Mr. Tian Hongbao does not have any relationship with any other Directors, supervisors, senior management or substantial or controlling shareholder(s) of the Company. As at the Latest Practicable Date, Mr. Tian Hongbao did not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. The Board, subject to approval by the Shareholders at the EGM, shall be authorized to determine and finalize the remuneration of Mr. Tian Hongbao.

Save as disclosed below, there are no other matters regarding the appointment of Mr. Tian Hongbao as a Director that in the Company's opinion are required to be brought to the attention of the Shareholders in accordance with Rule 13.51(2) of the Hong Kong Listing Rules.

The biographical details of Mr. Tian Hongbao are set out as follows:

Mr. Tian Hongbao, Chinese, born in August 1960, a senior economist with a Master's degree in Economic Law, graduated from North China Electric Power University majoring in Management Engineering with a Bachelor's degree in Management, and subsequently graduated from the Graduate School of the Party School of the Central Committee. Mr. Tian has successively held positions in Linyi Electric Power Bureau, Weifang Electric Power Bureau, Shandong Weifang Power Plant, Beijing No. 2 Thermal Power Plant, Huadian (Beijing) Thermal Power Company Limited, China Huadian Corporation, Huadian Shaanxi Energy Company Limited and China Huadian Group Capital Holdings Limited (and concurrently served as chairman of China Chuancai Securities Co., Ltd). Mr. Tian has over 30 years' experience in areas including power management and corporate finance.

IV. RECOMMENDATIONS FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders of the Company, which is set out on page 16 of this circular, and which contains their recommendation in respect of the continuing connected transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps.

The letter of advice from China Investment Securities to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps, whether they are on normal commercial terms and in the interests of the Company and its shareholders as a whole is set out on pages 17 to 40 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of China Investment Securities, considers that the terms of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and the related proposed annual caps under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are fair and reasonable. Accordingly, it recommends that the Independent Shareholders vote in favour of the relevant resolutions to approve the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps.

V. RECOMMENDATIONS

The Directors (including independent non-executive Directors) consider that all resolutions to be proposed for consideration and approval by the Shareholders at the EGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions as set out in the notice of the EGM and all the Shareholders to vote in favour of the resolution as set out in the supplemental notice of the EGM.

VI. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from China Investment Securities and additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Huadian Power International Corporation Limited*
Chairman
Zhao Jianguo

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

12 December 2016

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders in accordance with the Hong Kong Listing Rules as to our opinion on the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the transactions contemplated thereunder, the details of which are set out in the circular issued by the Company to the Shareholders dated 12 December 2016 (the "Circular"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw the attention of the Independent Shareholders to this letter from the Board, the letter from the Independent Board Committee and the letter of advice from China Investment Securities, set out on pages 1 to 15, page 16 and pages 17 to 40 of the Circular, respectively.

Having taken into account the principal factors and reasons considered by the China Investment Securities, its conclusion and advice, we concur with the view of China Investment Securities and consider that (i) the terms of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the continuing connected transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the related proposed annual caps under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are fair and reasonable.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps.

Yours faithfully,

Independent Board Committee of

Huadian Power International Corporation Limited*

Independent Non-executive Directors

Ding Huiping, Wang Dashu, Zong Wenlong and Wang Chuanshun

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



63th Floor,
1 Garden Road,
Central,
Hong Kong

12 December 2016

Huadian Power International Corporation Limited

No. 2 Xuanwumennei Street,
Xicheng District
Beijing, PRC

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into the transactions contemplated under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 12 December 2016 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the terms of Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the continuing connected transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; (ii) the proposed annual caps in respect of the mutual supply of coal and certain provision of products and services between China Huadian and the Group under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial year ending 31 December 2017 (the “**China Huadian Annual Caps**”) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) the Independent Shareholders should vote in favour of the resolutions to approve the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement at the EGM.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the three occasions as detailed in the circulars of the Company dated 20 January 2015, 8 June 2015, and 8 December 2015 respectively. Given (i) our independent role in those three engagements; and (ii) our fees for those three engagements represented an insignificant percentage of the revenue of our group, we consider those three engagements would not affect our independence to form our opinion in respect of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have relied on the accuracy of the information and facts supplied, and the opinions expressed by the Company, its Directors and its management to us. We have assumed that all statements of belief and intention made by the Directors and the management of the Company in the Circular were made after due enquiry. 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 continued to be so at the Latest Practicable Date. Should there be any material changes to our opinion after the despatch of the Circular, the Shareholders would be notified as soon as possible. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and its management, and have been advised by the Directors and the management of the Company that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 have not, however, conducted any form of in-depth investigation into the business affairs, financial position or future prospects of the Group or the counterparties of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement, nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons.

I. Background

The continuing connected transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement between the Group and China Huadian or its associates are the mutual supply of coal and provision of certain products and services, which will expire on 31 December 2016. The Company intends to continue its existing continuing connected transactions upon the expiry of, the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement and to renew the agreement with China Huadian.

As set out in the Circular, the entering into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement is conditional upon Independent Shareholders' approval being obtained at the EGM.

1. Hong Kong Listing Rules' implication

As at the Latest Practicable Date, China Huadian is the controlling shareholder of the Company and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to all applicable requirements including the shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, China Huadian, which held 4,534,199,224 issued A shares of the Company, representing approximately 45.97% of the Company's total issued share capital, and its wholly-owned subsidiary, China Huadian Hong Kong Company Limited, which held 85,862,000 issued H shares of the Company, representing approximately 0.87% of the Company's total issued share capital, will abstain from voting for approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the China Huadian Annual Caps.

The Independent Board Committee has, in accordance with the Hong Kong Listing Rules, been formed to advise the Independent Shareholders on the continuing connected transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement.

2. *Background on the Group*

As set out in the Letter from the Board, the Group is one of the largest comprehensive energy companies in the PRC, and primarily engages in the construction and operation of power plants, including large-scale efficient coal or gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

3. *Background on China Huadian*

As set out in the Letter from the Board, China Huadian is the controlling shareholder of the Company, directly and indirectly held approximately 46.84% of the Company's total issued share capital as at the Latest Practicable Date. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

4. *Background on Beijing Fuel Logistics*

As at the Latest Practicable Date, Beijing Fuel Logistics is owned as to 100% by the Company. It is principally engaged in the storage, logistics, distribution and sale of coal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. The Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement

In formulating our opinion in respect of the Proposed Coal, Equipments and Services Purchase (Supply) Framework and the China Huadian Annual Caps, we have considered the following factors and reasons:

1. *Background of entering into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement*

On 12 November 2015, the Company entered into the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian. In accordance with the terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, the agreement will expire on 31 December 2016. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and China Huadian, on 7 November 2016, the Company conditionally entered into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian, which, if it becomes unconditional, will be for another term of one year commencing from 1 January 2017 and expiring on 31 December 2017.

Save for the above term of the contract and the maximum annual transaction amounts agreed by both the Company and China Huadian in the agreement, the principal terms of transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement are substantially the same as the principal terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, details of which are set out in the Letter from the Board.

2. *Reasons for and benefits of entering into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement*

As set out in the Letter from the Board, having considered the fact that (i) long-term relationship between the Group and China Huadian; (ii) the coal mines of the Group and China Huadian are in different localities in which the mutual provision of coal may reduce the overall cost of procurement of coal; and (iii) the mutual provision of relevant services between China Huadian and the Group provides more efficient allocation of labour (in that the timing for the needs of the relevant services which are generally of a maintenance nature may differ), the Company considers that it is beneficial to continue to enter into the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian as (i) these transactions have facilitated the Group's principal business and the growth of installation capacity; and (ii) China Huadian is familiar with the Group's business operation and have been able to provide prompt products, equipments and services to meet the Group's requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Also, as advised by the management of the Company, transactions of (i) supply of coal by the Group to China Huadian; and (ii) provision of services to China Huadian by the Group such as overhauls and maintenance of generating units of power plants and alternatives power generation and relevant quota services have been carried out for many years. The Directors believe that the continuation of the above continuing connected transactions between the Group and China Huadian enables the Group to capitalize on the well-established relationship with China Huadian to generate additional business and revenue stream to the Group.

In addition, as set out in the Letter from the Board, the annual caps for the continuing connected transactions under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement has been determined based on the estimated amount of transactions involved and with reference to the historical transaction volumes, the estimated potential growth of the Group and the expected economic growth of China.

Based on the above, it is reasonable that the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement is entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. ***Basis of price determination of the Proposed Coal, Equipments and Services Purchases (Supply) Framework Agreements***

Purchase and sale of coal

As set out in the Letter from the Board, the price determination principles of the mutual provision or sale of coal, engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement is subject to mutual consent and confirmation by the parties to the agreement, as well as determinations after arm's length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In practice, the then market price of the purchase of coal is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to the following principles:

- (1) relevant quotations from two or more local independent large-scale coal enterprises; and
- (2) if there are no relevant quotations, the coal price shall be determined by reference to certain independent coal price index, including but not limited to, the Bohai Bay Thermal Coal Price Index, published on various coal industry websites including CQ Coal (秦皇島煤炭網) (<http://www.cqcoal.com>) and SX Coal (中國煤炭資源網) (<http://www.sxcoal.com>).

As advised by the management of the Company, the coal price shall be determined with reference to certain coal price index, including but not limited to the Bohai Bay Thermal Coal Price Index. According to “Notice on the Commissioning Operation of the Bohai Bay Thermal Coal Price Index” (《關於開展環渤海動力煤價格指數試運行工作的通知》), Bohai Bay Thermal Coal Price Index is authorized and guided by National Development and Reform Committee and is data collected and periodically published by Qinhuangdao Seaborne Coal Market Co., Ltd.. It is an index system which reflects the Free on Board price and price volatility of Bohai Bay thermal coal.

As stated in the Letter from the Board, regarding the internal procedure for the purchase of coal, the marketing department of the Company shall assess the relevant quotations based on factors such as quality, locality and market conditions, in order to determine the appropriate price for the purchase of coal. If the transaction concerned is connected transaction, the finance management department and the securities and financing department of the Company shall also review such price based on the same assessment criteria. If two or more of the quotations obtained fall within the price for the purchase of coal determined by the marketing department, factors such as the long-term relationship between the Group and the local large-scale coal enterprise and the ability of such enterprise to provide a stable supply of coal will be considered; with the final approval being made by the deputy general manager of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the then market price of the sale of coal is also generally determined with reference to the local spot market price as at the time of the sales order. The local spot market price is usually determined with reference to the price for the sale of coal as set by the largest supplier of coal by production output in the relevant locality (such price is industry knowledge and a practice followed by other suppliers of coal, which the Company believes is reliable and may be obtained through quotations obtained for the purchase of coal as discussed above or through the network of the Company). Regarding the internal procedure for the sale of coal, the marketing department of the Company shall assess the sales price set by the above largest supplier of coal with reference to such factors as quality, market conditions and the cost for the Company in producing or obtaining coal as well as the supply and demand of coal in the market, in order to determine the price for the sale of coal. If the transaction concerned is a connected transaction, the finance management department and the securities and financing department of the Company shall also review such price based on the same assessment criteria, with the final approval being made by the deputy general manager of the Company.

As advised by the management of the Company, in order to in line with the market price, the Group will make adjustment towards the selling and purchase price of the coal only when there is a subsequent change in prevailing market condition. Furthermore, the prices of coal traded by the Group are measured against the Bohai Bay Thermal Coal Price Index pursuant to the quality of coal and is subject to adding or reducing logistic costs taking into account of different types of delivery. Such adjustment will be stated in the evaluation assessment forms and go through the internal procedure as mentioned above in order to ensuring the effectiveness of the above measures.

In assessing the fairness and reasonableness of the pricing determination principle of the purchase of coal, we have (i) discussed with the management of the Company on the pricing determination principle of the purchase of coal that discussed in the Letter from the Board; (ii) reviewed relevant documents such as internal guideline of coal purchase and sale and evaluation assessment form of the coal suppliers, and obtained and reviewed the agreement entered into between the Group and China Huadian and the quotation from the independent coal supplier; and (iii) reviewed the approval documents that approved from various departments and noted that the internal procedure have been implemented by the Group effectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the pricing determination principle of the sale of coal, we have (i) discussed with the management of the Company on the pricing determination principle of the sale of coal that discussed in the Letter from the Board; (ii) reviewed relevant documents such as internal guideline of coal purchase and sale and the agreement entered into between the Group and China Huadian, noting that the Group has obtained the quotation from the independent coal suppliers after considering the price of coal as set by the largest supplier of coal in order to determine the price of sale of coal; and (iii) reviewed the approval documents that approved from various departments and noted that the internal procedure have been implemented by the Group effectively.

Therefore, based on the above independent work done we taken, we are of the view that the pricing determination principle of the coal purchase and sales with China Huadian have been implemented by the Company effectively and thus the pricing determination principles of the coal purchase and sale with China Huadian is in line with other independent coal suppliers and is fair and reasonable.

Provision of engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services by China Huadian to the Group

As set out in the Letter from the Board, the pricing determination principles for provision of the various categories of services as contemplated under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement by China Huadian to the Group will be determined by reference to the following pricing principles:

- (1) pricing will be determined through a bidding process. The bidding process will adhere to the relevant laws and regulations including the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》). The Company has an internal manual regarding the management of the project bidding process. As set out in the internal manual, the Company will make bid initiations setting out, among other things, the specification and requirements (including technicality, quality and pricing) of the relevant services project, criteria for assessing the contractors, and the requirements for the bid price. The entire bidding process will be controlled and managed by the bid evaluation committee. The committee consists of a president, which is a position held by the deputy general manager of the Company, and members of various business departments of the Company including the safety and production department, the finance asset department and the project management department. The bid evaluation committee of the Company will be responsible for (i) ensuring the adherence to the process as set out in the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》); and (ii) reviewing, evaluating and monitoring documents from contractors based on such factors as technicality, quality, pricing, reputation and after-

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

sale services, as well as the requirements in the bid invitation. The bid evaluation committee shall then determine the successful bidder based on the above assessments; and

- (2) the successful bidding price under the bidding process is subject to further arm's length negotiation with the successful bidder; in such case, the Company would make reference to the historical prices and price trends of the relevant services and products and ensure that such price would be fair and reasonable to the Company and its Shareholders as a whole.

In assessing the fairness and reasonableness of the price determination principle of the provision of engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services by China Huadian, we have (i) discussed with the management of the Company on such price determination principle; (ii) reviewed the internal manual regarding the management of project bidding process; (iii) reviewed sample of bid invitation that stated the requirement of technicality, quality and pricing of each of the bidder; (iv) reviewed the evaluation assessment form of the bidders, including China Huadian and the other independent bidders; (v) confirmed that a numbers of factors, including but not limited to technicality, quality and pricing of each of the bidder have been considered through the bidding process as stated in the bid invitation; and (vi) reviewed the approval document that approved from various departments and noted that the internal procedure had been implemented by the group effectively. In light of the above, we are of the view that the pricing determination principles of the provision of engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services with China Huadian is in line with other independent bidders and is fair and reasonable.

Provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian

As set out in the Letter from the Board, the consideration for the provision of services by the Group to China Huadian as contemplated under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement will be determined with reference to the cost incurred by the Group in providing such services and the services fees charged by independent third parties in providing similar services. Regarding the internal procedure for the provision of services by the Group to China Huadian, the relevant business department of the Company providing the relevant services shall propose a services fee for the provision of such services with reference to the above factors. If the transaction concerned is a connected transaction, the finance management department and the securities and financing department of the Company shall also review such service fee based on the same assessment criteria, with the final approval made by the deputy general manager of the Company responsible for the relevant service line.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the price determination principle of the provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian, we have (i) discussed with the management of the Company on the implementation of such price determination principle; (ii) reviewed the relevant documents such as the agreement entered into between the Group and China Huadian and the referenced services fees which charged by independent third parties in providing similar services; and (iii) reviewed the approval documents that approved from various departments and noted that the internal procedure have been implemented by the Group effectively. In light of above, we are of the view that the pricing determination principles of the provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian is fair and reasonable.

Based on the above, we are of the view that the price determination principle under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

4. *The China Huadian Annual Caps*

The China Huadian Annual Caps are as follows:

Transactions	Proposed annual caps for the financial year ending 31 December 2017 (RMB millions)
Expenditure	
Purchase of coal from China Huadian	6,000
Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian (<i>Note 1</i>)	<u>5,000</u>
Total:	<u><u>11,000</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Proposed annual caps for the financial year ending 31 December 2017 (RMB millions)
Transactions	
Revenue	
Sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian (<i>Note 2</i>)	12,000
Total:	12,000

Note 1: Of the estimated annual cap of RMB5 billion, it is estimated that based on the historical amounts and the needs of existing projects of the Company, approximately 90% is for provision of engineering equipments, systems, products and engineering and construction contracting projects, approximately 4% is for provision of the supplies procurement services and approximately 6% is for provision of other Miscellaneous and Relevant Services.

Note 2: Of the estimated annual cap of RMB12 billion, approximately 96% is for sale of coal, approximately 2% is for provision of overhauls and maintenance services and alternative power generation and approximately 2% is for provision of relevant quota services.

5. *Basis of the China Huadian Annual Caps*

1) Purchase of coal from China Huadian

As set out in the Letter from the Board, in the process of considering the China Huadian Annual Caps for the financial year ending 31 December 2017, when estimating the annual cap for the purchase of coal from China Huadian, the Company has principally considered the factors that (i) the historical transaction amounts of purchase of coal from China Huadian under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016; (ii) the expected change in the current status of excess supply over demand in the PRC coal market and therefore the expected increase in coal price due to the tightening of the supply of coal in accordance to the policy of coal production capacity reduction initiated by the National Development and Reform Commission in 2016; and (iii) the demand for coal due to the normal operation of coal-fired generating units with a capacity of 36,680 MW operated by the whole Group as at the Latest Practicable Date. For illustration purpose, for the year ended 31 December 2015, as advised by the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company, power generated by the Group amounted to approximately 191.05 million MWh with 73.6 million tons of coal consumed. Average purchase price of standard coal was RMB518 per ton (tax-inclusive) for the same year. As advised by the management of the Company, coals purchased from China Huadian for the year ended 31 December 2015 as percentage of the Group's total coals purchased was approximately 10%. The Group expects that (i) power generated by the Group will remain similar level in the foreseeable future; and (ii) the coals purchase from China Huadian in 2017 as percentage of the Group's total coals purchase will remain the similar level and not more than 15%.

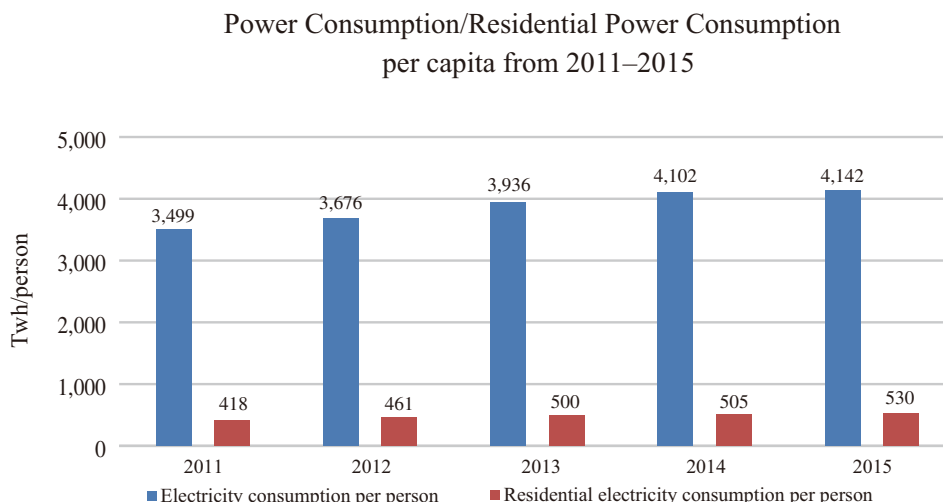
As set out in the Letter from the Board, the actual purchase amount of coal from China Huadian for the financial years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016 were approximately RMB3,645 million, RMB3,942 million and RMB2,235 million, respectively. The Company advised that all subsidiaries of the Company in PRC can purchase coal from China Huadian under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement.

We have discussed with the management of the Company with regard to the low utilization rate of the annual cap of for the purchase of coal from China Huadian under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the nine months ended 30 September 2016 and it is mainly attributable to the low coal price in the first half of 2016 and timing difference between the cost incurred and the settlement. The Company recorded the cost in the management account when the amount is settled. As it usually settles the amount before the year-end, the Company recorded a higher proportion of cost in the fourth quarter.

As to our independent work done in assessing the estimating of the annual cap for the purchase of coal from China Huadian, we noted that (i) actual amounts of the historical transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the two years ended 31 December 2014 and 2015 represented approximately 60% and 65% of the annual caps for the purchase of coal from China Huadian under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement respectively, which comparatively at a higher utilization rate than 2016 on annualized basis; and (ii) the Bohai Bay Thermal Coal Price Index have kept in a relatively low level from RMB374 per ton in January 2016 to RMB401 per ton in June 2016. The trend of coal price has rebounded in the second half of 2016 from RMB430 per ton in July 2016 to RMB593 per ton in October 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, according to China Electricity Council (<http://www.cec.org.cn/guihuayutongji/tongjixinxi/>), the electricity consumption and residential electricity consumption per person increased slightly from 2011–2015, and representing a CAGR of approximately 4.3% and 6.1% respectively for the same period. Set out below is the electricity consumption and residential electricity consumption per person from 2011–2015.



Source: China Electricity Council

According to China Energy Outlook 2020 (<https://www.eia.gov/conference/2014/pdf/presentations/xu.pdf>) issued by the Institute of World Economics and Politics of Chinese Academy of Social Sciences, the electricity demand is expected to grow steadily in the foreseeable future.

In light of the above, we have researched into market statistics regarding electricity consumption. According to the monthly statistic data as announced on the official website of National Bureau of Statistic of China (<http://data.stats.gov.cn/easyquery.htm?cn=A01>), 5.4% to 6% of monthly growth rate of value added of industry had been recorded for consecutive months in 2016. According to the announcement of the National Energy Administration dated 16 November 2016, namely, “10月份全社會用電量同比增長7.0%” (“The October National Electricity Consumption increased by 7.0% YOY”), during the ten months ended 31 October 2016, national electricity consumption in the PRC amounted to 4,877.6 billion kwh, representing an increase of 4.8% as compared to the corresponding period in 2015. Heavy industry is the area with the largest electricity consumption. Coal-fired power remains the important source of electricity energy in the PRC, while the proportion of electricity generated from renewable energy has been growing gradually. Thus, the Group expects and we concur that it would continue to have similar level demand of coal in 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that (i) actual amounts of the historical transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the two years ended 31 December 2015 represented approximately 60% and 65% of the annual caps for the purchase of coal from China Huadian under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement respectively, which comparatively at a higher utilization rate than 2016 on annualized basis; (ii) the Group expects that it would continue to have similar level demand of coal in 2017 when compared to that of 2016; (iii) the coals purchase from China Huadian in 2017 as percentage of the Group's total coals purchase will remain the similar level and not more than 15%; (iv) we are of the view that the coal price will not fluctuate significantly in 2017 when compared to that of 2016 as significant change in government policy regarding the coal price is not expected in the foreseeable future; and (v) a buffer is created to cater for any unforeseeable circumstances, in particular, for any unexpected changes in coal prices, for the year ending 31 December 2017, we concur with the Directors' view that the Group proposes the annual cap for the purchase of coal from China Huadian for the year ending 31 December 2017 remaining the same as the current annual caps under the Existing Coal, Equipments, Services Purchase (Supply) Framework Agreement could sustain the flexibility and stability in the Group's purchase of coal after comparing the market price with that of connected persons, and is justifiable, fair and reasonable so far as the Independent Shareholders are concerned.

2) *Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian*

The Company proposes to revise the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian for the financial year ending 31 December 2017 from RMB4.5 billion to RMB5.0 billion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, when estimating the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian, the Company has mainly considered the following factors:

- (i) the 33 projects being approved and under construction as at the Latest Practicable Date which is currently expected to increase the planned installed capacity of the Company by approximately 14,663 MW, in addition to its existing installed capacity, the Group has been growing in size; and
- (ii) the Chinese government has increased the environment requirements. According to the Notice in relation to the Coal-fired Power Plant Ultra Low Emission Transformation Program under the 13th Five-Year Plan (《關於編製“十三五”燃煤電廠超低排放改造方案的通知》) issued by the PRC environmental authority in July 2015 (the “**Notice**”), the Company anticipates that certain areas of the PRC (including areas to which the Group’s generating units operate) shall adopt a more stringent “ultra clean emission” standard, pursuant to which, the Group’s coal-fired generating units need to be further equipped with denitration equipments, and the original desulphurization and dust removal equipments also require upgrade.

In assessing reasonableness of the increment of the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian for the financial year ending 31 December 2017 from RMB4.5 billion to RMB5.0 billion, we have (i) discussed with the management of the Company on the abovementioned factors that they considered; and (ii) reviewed the Notice. Although the Notice is issued in July 2015, it is an ongoing requirements and there is a process for the Group to (a) construct the new coal-fired generating units; and (b) upgrade the existing coal-fired generating units, to fulfill the requirements of ultra-low emission.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (a) Construct the new coal-fired generating units

The number of projects being approved and under construction, actual amounts and the annual caps of the historical transactions of for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the twelve months ended 31 December 2014, twelve months ended 31 December 2015, and for the nine months ended 30 September 2016 are set out below:

	For the twelve months ended 31 December 2014		For the twelve months ended 31 December 2015		For the nine months ended 30 September 2016	
	Actual amount	Annual caps	Actual amount	Annual caps	Actual amount	December 2016
	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)
						Annual caps (in respect of the entire financial year ending 31 December 2016)
Transactions						
Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian	2,196	3,000	2,194	3,000	957	4,500
				As at the date of the annual report for the year ended 31 December 2014	As at the date of the annual report for the year ended 31 December 2015	As at the Latest Practicable Date
Number of projects being approved and under construction (of which China Huadian has been/will be participated)			24	35	33	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we noted that the number of projects being approved and under construction (of which China Huadian has been/will be participated) has been increased from 24 as at the date of the annual report for the year ended 31 December 2014 to 33 as at the Latest Practicable Date. The Group expects that the number of projects being approved and under construction in 2017 will remain the similar level with that of 2016.

As to our independent work done in assessing the estimating of the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian, we noted that actual amounts of the historical transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the two years ended 31 December 2015 represented approximately 73% and 73% of the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement respectively, which comparatively at a higher utilization rate than 2016 (approximately 28%) on annualized basis. We have discussed with the management of the Company with regard to the low utilization rate of the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the nine months ended 30 September 2016 and it is mainly attributable to timing difference between the cost incurred and the settlement. The Company recorded the cost in the management account when the amount is settled. As it usually settle the amount before the year-end, the Company recorded a higher proportion of cost in the fourth quarter.

We also noted that, after discussion with the management of the Company, after the acquisition of the 82.5627% equity interest in Huadian Hubei Power Generation Company Limited (“**Hubei Power Generation**”) completed on 1 July 2015, the Directors expected that more projects will be undertook by Huadian Power Generation, such as the Hubei Company Jiangling Project with installed capacity of 1,320 MW. After taking consideration of (i) existing projects being approved and under construction; (ii) the expected projects being approved and under construction in 2017; and (iii) the expected payment schedule of these projects, the Directors expect that the expenditure incurred regarding the construction services on the projects in 2017 will be larger than that of 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Upgrade the existing coal-fired generating units

We have reviewed the annual report for the year ended 31 December 2015 of the Company, noting (a) a total of 17 generating units of the Group fulfilled the requirements of ultra-low emission in terms of major pollutant emission as of March 2016; and (b) more effort will put into upgrading ultra-low emission projects and ensuring the efficient and up to standard operation of environmentally friendly facilities. As advised by the management of the Company, a total of 46 existing coal-fired generating units of the Group (with the installed capacity of 17,700 MW) fulfilled the requirements of ultra-low emission in terms of major pollutant emission as of September 2016, representing approximately 50% of the total number of existing coal-fired generating units of the Group. The Directors expect that (i) approximately 80% of the total number of existing coal-fired generating units of the Group will fulfill the requirements of ultra-low emission in terms of major pollutant emission by the end of 2017; (ii) certain construction projects temporarily slowed down in 2016 will push forward construction progress in 2017; and (iii) the expenditure incurred of upgrading the existing coal-fired generating units in 2017 will be larger than that of 2016.

Having considered the reasons above and discussed with the management of the Company, we are advised that the demand of the provision of engineering equipments, systems, products, and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian in 2017 is expected to increase so as to meet the demand for construction and routine operations, and thus we concur with the Directors' view that the increment of annual cap of RMB0.5 billion for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian to RMB5 billion, based on the historical transaction and the future needs of the Group, is justifiable, fair and reasonable. As to our independence work done, we have reviewed (i) the expected payment schedule of the projects and noting that (a) the amount paid for the projects being approved and under construction in 2017 will be larger than that of 2016; and (b) certain construction projects temporarily slowed down in 2016 will push forward construction progress in 2017; and (ii) internal document regarding the forecasted capital expenditure in 2017 and noting that approximately 30% of the total number of existing coal-fired generating units of the Group will be upgraded in order to fulfill the requirements of ultra-low emission in terms of major pollutant emission by the end of 2017. Based on the above, we noted that (i) more capital expenditure will be incurred in 2017 than that of 2016; and (ii) the capital expenditure will be incurred in 2017 will be approximately RMB5 billion, therefore, we are of the view that the annual cap of RMB5 billion is justifiable, fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3) *Sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian*

The Company proposes to revise the annual cap for the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian from RMB2.0 billion to RMB12.0 billion for the financial year ending 31 December 2017.

As set out in the Letter from the Board, when estimating the annual cap for the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian, the Company has considered (i) the historical transaction amounts of such sales under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, (ii) the fact that the provision of the relevant services is routine and recurring maintenance work that needs to be conducted regularly, (iii) the proposed expansion of the business scope of Beijing Fuel Logistics from the purchase of coal and the sale of coal to the power generating subsidiaries of the Group to the expanded business scope in 2017 of the sale of coal to the coal-fired generating enterprises of China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi, in addition to the purchase of coal and the sale of coal to the power generating subsidiaries of the Group. Factors (iii) mentioned above is of particular relevance in estimating the relevant annual cap since the sale of coal accounts for approximately 96% of the annual cap as mentioned in Note 2 under “The China Huadian Annual Caps” above.

In assessing the increment of the annual cap for the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian, we have discussed with the management of the Company on the reasons of the expansion of the business scale of the Beijing Fuel Logistics as it will lead to a substantially increase in relevant annual cap.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are advised that the proposed expansion of the business scale of Beijing Fuel Logistics is an internal business reorganization of the Group. After the proposed expansion of the business scale, Beijing Fuel Logistics, through the further implementation of centralised and scaled procurement as well as the expansion of its operational scale, will be able to increase its negotiation and bargaining power in respect of coal procurement, which will in turn allow the Group to be able to control its cost of coal more effectively and to increase its competitiveness. The Company will, through Beijing Fuel Logistics, plan to increase the amount of sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi, with in aggregate not more than RMB12.0 billion, and other independent enterprises.

In addition, we are further advised by the management of the Company and (i) reviewed the internal document regarding to the expansion of business scale, noting that (a) the historical quantity of coals sold by Beijing Fuel Logistics for the each of three years ended 31 December 2015 and the seven months ended 31 July 2016; and (b) the expected sale of coal of Beijing Fuel Logistics in 2017 will increase after taking consideration of the projected sales of coal to the coal-fired generating enterprises of China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi of approximately RMB11 billion; and (ii) reviewed the announcement of the Company dated 22 November 2016, noting that Beijing Fuel Logistics, a platform for the sale and purchase of coal, is beneficial in further expanding its business scale, to smoothly develop the sale and purchase of the coal businesses of China Huadian in regions in which China Huadian operates as well as to expand its inter-region mobilisation and waterway transportation after the proposed expansion of the business scope of Beijing Fuel Logistics. As discussed with the management of the Company, the annual caps were set with reference to the projected sales of coal to the coal-fired generating enterprises of China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi based on a numbers of factors, including but not limited to (i) the size and operating scale; (ii) the coal consumption in the previous year; and (iii) the estimation of the coal demand in 2017, of the coal-fired generating enterprises of China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi.

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As to our independence work done, we have reviewed (i) the internal document regarding to the expansion of business scale; and (ii) sale projection of coal of Beijing Fuel Logistics in 2017. We also note that (i) the Company has considered a number of factors as mentioned above to sale projection of coal of Beijing Fuel Logistics in 2017; and (ii) the projected sales of coal in certain regions of approximately RMB11 billion. Based on the above and after discussed with the management of the Company, we are of the view that (i) the factors considered by the Company in projecting the sale of coal to the coal-fired generating enterprises of China Huadian in the above regions are fair and reasonable; and (ii) the projected sale of coal of Beijing Fuel Logistics in 2017 and the projected sales of coal in certain regions of approximately RMB11 billion as mentioned above are achievable, justifiable, fair and reasonable.

Having considered the above reasons, we concur with the Directors' view that the increment of annual cap of RMB10.0 billion for the amount of sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian, based on the historical transaction and the future needs of the Group, is justifiable, fair and reasonable.

Based on the above, we are of the view that the basis and the underlying assumptions of setting the China Huadian Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. Other Term

Both parties to the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement has agreed that contracts will be made from time to time with reference to the prevailing market practice and in accordance with the terms and conditions of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement. In addition, the payment under the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement will be made separately (i) by the Company each time when China Huadian sells coal or provides engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services to the Company and (ii) by China Huadian each time when the Company sells coal and provides services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian.

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As advised by the management of the Company, and we obtained and reviewed the agreement entered into between the Group and China Huadian and the quotation from the independent coal supplier contracts, we noted that the payment terms offered by/to China Huadian, as stipulated in the individual sale/purchase contracts, is similar to that offered by/to independent third parties.

Based on the above, we are of the view that the above term, including the payment terms, is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The procedures to be put in place for the annual review of the continuing connected transactions as set out in the Listing Rules are as follows:

- (a) the independent non-executive directors will review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
 - (i) in the ordinary and usual course of business of the listed issuer;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the listed issuer than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole;
- (b) the listed issuer's auditors will review the continuing connected transactions and issue a letter to the board confirming that the continuing connected transactions:
 - (i) have received the approval of the board of directors;
 - (ii) are in accordance with the pricing policies of the listed issuer if the transactions involve provision of goods or services by the group;
 - (iii) have been entered into in accordance with the relevant agreements governing the transactions; and
 - (iv) have not exceeded the relevant caps;

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the board must state in the annual report whether the auditors have made such confirmation in relation to the continuing connected transactions; and

- (c) the company will promptly notify the Stock Exchange and publish an announcement if it believes that the independent non-executive directors and/or the auditors will not be able to issue the aforesaid confirmation.

As the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement would be reviewed by the independent non-executive Directors and the auditors of the Company as mentioned above, we are of the view that there exist appropriate measures to govern the future execution of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and to safeguard the interests of the Independent Shareholders.

RECOMMENDATION AND CONCLUSION

Having considered the above principal factors and reasons, we are of the opinion that (i) the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the continuing connected transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business, and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) the China Huadian Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement. We also advise the Independent Shareholders to vote in favour of the proposed resolution to approve the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement at the EGM.

Yours faithfully,

For and on behalf of

China Investment Securities International Capital Limited

Tony Wu

Managing Director and

Head of Investment Banking Department

Note: Mr. Tony Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2005. Mr. Wu has more than 13 years of experience in corporate finance and investment banking and he has participated in and completed various advisory transactions in respect of continuing connected transactions of listed companies in Hong Kong.

* *In this letter, the English names of the PRC laws and entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

Name	Position In the Company	Number of A shares of the Company held as personal interest	Capacity
Gou Wei	Non-executive Director	10,000 (<i>Note</i>)	Beneficial owner

Note: Representing approximately 0.0001% of the total issued A shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as the Company is aware, none of the Directors, supervisors, chief executive or members of the senior management of the Company and their respective associates had any interests or short positions 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 interests 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 Companies as set out in appendix 10 to 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 of the Company to the same extent as it applies to the Directors).

Four Directors, namely, Mr. Li Qingkui (who was previously a Director at the time of passing the Board resolution below), Mr. Chen Jianhua (who was previously a Director at the time of passing the Board resolution below), Mr. Gou Wei and Mr. Chu Yu, who hold positions in or are employees of China Huadian, have abstained from voting on the Board resolutions approving the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps. Save as mentioned above, none of the Directors have a material interest in

the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement and hence no such other Director has abstained from voting on such Board resolutions. In addition to the four Directors above, one Director, namely, Mr. Zhao Jianguo is the chairman and secretary of the party committee of China Huadian. One supervisor, namely, Mr. Peng Xingyu is an employee of China Huadian. Save as disclosed above, as at the Latest Practicable Date, none of the other Directors or supervisors of the Company was also a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. CONSENT AND QUALIFICATION OF EXPERTS

China Investment Securities has given and has not withdrawn its written consent to the issue of this circular with its letter of advice included in the form and context in which it appears.

The following sets out the qualifications of China Investment Securities:

Name	Qualifications
China Investment Securities	Type 6 (advising on corporate finance) regulated activity as defined under SFO

As at the Latest Practicable Date, China Investment Securities did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, China Investment Securities did not have any direct or indirect interest in any assets which had been, since 31 December 2015, 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 position of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Director or supervisor of the Company had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

6. COMPETING INTERESTS

As stated in the section headed “Information of the Parties” in the letter from the Board included in this circular, the Group and China Huadian are both energy companies engaged in businesses including power generation.

As at the Latest Practicable Date, save as disclosed below, none of the other Directors or supervisors or their respective close associates (as defined under the Hong Kong Listing Rules) had any interest in other business which competes or is likely to compete with the business of the Group as if each of them were treated as controlling shareholder of the Company under Rule 8.10 of the Hong Kong Listing Rules.

Name of Directors	Position in the Company	Other Position(s) in China Huadian
Zhao Jianguo	Chairman of the Board and non-executive Director	Chairman and secretary of the party committee of China Huadian
Gou Wei	Non-executive Director	Head of economic operation and coordination department of China Huadian
Chu Yu	Non-executive Director	Head of financial and risk management department of China Huadian
Peng Xingyu	Supervisor	Chief auditor of China Huadian

7. 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 of the Company had any direct or indirect interest in any assets which had been since 31 December 2015 (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.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company 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, certain members of the Group was a party to certain litigations arising from the Group's ordinary course of business or acquisition of assets. However, the management of the Group believes that any possible legal liability which incurred or may incur from the aforesaid cases will not have material adverse effect on the financial position and operating results of the Group. Save as disclosed, as at the Latest Practicable Date, no material litigation or claims were pending or threatened or made against the Group so far as the Directors are aware.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at No. 14800, Jingshi Road, Jinan City, Shandong Province, the PRC.
- (b) The business office of the Company is situated at No. 2 Xuanwumennei Street, Xicheng District, Beijing, 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.
- (d) The English text of this circular shall prevail over its Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the (i) Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement; (ii) the letter from the Board, the text of which is set out on pages 1 to 15 of this circular; (iii) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular and (iv) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 40 of this circular will be available for inspection at the offices of Alpha Financial Press Limited, 7th Floor Nexxus Building, 41 Connaught Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 28 December 2016.

NOTICE OF EGM



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "EGM") of Huadian Power International Corporation Limited* (the "**Company**") will be held at 2:30 p.m. on Thursday, 29 December 2016 at Huabin International Hotel, No. 4 Xuanwumennei Street, Xicheng District, Beijing, the PRC for the purpose of considering and, if appropriate, by way of polls, approving the following resolutions. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the announcement of the Company dated 7 November 2016 (the "**Announcement**"). A circular containing, among other things, details of the non-exempt continuing connected transactions referred to in the Announcement, a letter from the independent financial adviser containing its advice to the Independent Board Committee and Independent Shareholders on those transactions and the recommendation of the Independent Board Committee to Independent Shareholders regarding such transactions, is expected to be despatched to the Shareholders on or before 12 December 2016 (the "**Circular**").

ORDINARY RESOLUTIONS

1. To consider and approve, by way of separate ordinary resolutions, the entering into by the Company of the Proposed Coal, Equipments and Services Purchase (Supply) Framework Agreement (the "**Agreement**") with China Huadian for a term of one year from 1 January 2017 to 31 December 2017 and the following continuing connected transactions between the Company and China Huadian contemplated thereunder and their respective annual caps; and to authorize the general manager of the Company or his authorized person(s) to make the necessary amendments to the Agreement at his/their discretion in accordance with relevant domestic and overseas regulatory requirements and execute the Agreement, and to complete other necessary procedures and formalities according to the relevant requirements under the Hong Kong Listing Rules:
 - a. the purchase of coal by the Group from China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian, and that the annual cap of such continuing connected transactions be set at RMB6 billion for the financial year ending 31 December 2017;

NOTICE OF EGM

- b. the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services to the Group by China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian, and that the annual cap of such continuing connected transactions be set at RMB5 billion for the financial year ending 31 December 2017; and

- c. the sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian, and that the annual cap of such continuing connected transactions be set at RMB12 billion for the financial year ending 31 December 2017.

By order of the Board

Huadian Power International Corporation Limited*

Zhou Lianqing

Secretary to the Board

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

Zhao Jianguo (Chairman, Non-executive Director), Chen Jianhua (Vice Chairman, Non-executive Director), Wang Yingli (Vice Chairman, Non-executive Director), Chen Bin (Executive Director), Gou Wei (Non-executive Director), Chu Yu (Non-executive Director), Zhang Ke (Non-executive Director), Ding Huiping (Independent Non-executive Director), Wang Dashu (Independent Non-executive Director), Zong Wenlong (Independent Non-executive Director) and Wang Chuanshun (Independent Non-executive Director).

Beijing, the PRC

14 November 2016

NOTICE OF EGM

Notes:

1. Eligibility of attending the EGM 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 Friday, 25 November 2016 (the "**Registered Shareholder(s)**") are entitled to attend the EGM conditional upon completion of the necessary registration procedures. The register of members of H shares will be closed by the Company from Monday, 28 November 2016 to Thursday, 29 December 2016, both days inclusive, for the purpose of determining H Shareholders' entitlement to attend the EGM, during which period no transfer of the H Shares will be registered.

In order to be entitled to attend the EGM, holders of H shares whose transfer document have not been registered are required to deposit their respective instrument(s) of transfer and the relevant share certificate(s) with the H share registrar of the Company, Hong Kong Registrars Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 25 November 2016.

2. Registration procedures for attending the EGM

- (1) Registered Shareholders who intend to attend the EGM are required to deliver the completed and signed written reply slip to the Secretarial Office of the Board of the Company on or before Thursday, 8 December 2016. Please use the "Reply Slip for Attendance", or a duplicate copy thereof to reply. Save as the requirements mentioned above, Registered Shareholders who intend to attend the EGM shall, if applicable, 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 Thursday, 8 December 2016.
- (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 EGM, and shall issue copies or facsimile copies of admission cards for attending the EGM by post or by facsimile. Shareholders or their proxies may produce such copies of the admission cards at the time of attending the EGM in exchange for the original of the admission cards of EGM.

3. Proxies

Registered Shareholder is entitled to appoint one or more proxies to attend and vote at the EGM on his/her behalf by completing the "Proxy Form For Use at the Extraordinary General Meeting" (the "**Proxy Form**") or by completing a duplicate copy thereof. A proxy need not be a Shareholder. 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/her 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 notarized. 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 authorized person. The notarized power of attorney or other authorization documents and the completed Proxy Form shall be delivered to the Secretarial Office of the Board of the Company or Hong Kong Registrars Limited not less than 24 hours before the time designated for convening the EGM or any adjournment thereof (as the case may be).

NOTICE OF EGM

4. Miscellaneous

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

No. 2 Xuanwumennei Street, Xicheng District, Beijing, the People's Republic of China
Tel No.: (86) 10 8356 7903
Fax No.: (86) 10 8356 7963

- (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

* *For identification purposes only*



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)

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

REFERENCE IS MADE TO the notice of the extraordinary general meeting of Huadian Power International Corporation Limited* (the "**Company**") ("**EGM**") dated 14 November 2016 (the "**Notice**"), which sets out the time and venue of the EGM and the resolutions to be proposed at the EGM for approval by the shareholders of the Company (the "**Shareholders**") (the "**Original Resolutions**"). Unless otherwise indicated, capitalised terms used in this supplemental notice of EGM (the "**Supplemental Notice**") shall have the same meanings as those defined in the circular of the Company dated 12 December 2016 (the "**Circular**").

Subsequent to the despatch of the Notice, the Board received from China Huadian Corporation ("**China Huadian**"), the controlling shareholder of the Company which holds more than 3% of the issued share capital of the Company, a notice of its intention to propose one additional resolution to be submitted to the EGM for consideration and approval, in accordance with the relevant requirements of the articles of association of the Company (the "**Articles of Association**") as well as the laws and regulations of the PRC. The Board has considered and unanimously approved the additional resolution to be submitted to the EGM for approval by the Shareholders.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN THAT the EGM will be held as originally scheduled at time and venue as set out under the Notice, and in addition to the Original Resolutions, the following resolution will be included as one newly-added resolution numbered 2 for approval by the Shareholders by way of an ordinary resolution at the EGM.

Save for the above, all information and contents set out in the Notice remain unchanged.

SUPPLEMENTAL NOTICE OF EGM

AS ORDINARY RESOLUTION

- To consider and approve the election and appointment of Mr. Tian Hongbao (田洪寶) as a member of the seventh session of the Board with a term of office from the end of the EGM to the expiry of the seventh session of the Board; and to authorise the Board to determine and finalise his remuneration as a Director (*Note 1*).

By order of the Board
Huadian Power International Corporation Limited*
Zhou Lianqing
Secretary to the Board

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

Zhao Jianguo (Chairman, Non-executive Director), Wang Yingli (Vice Chairman, Non-executive Director), Chen Bin (Vice Chairman, Executive Director), Gou Wei (Non-executive Director), Chu Yu (Non-executive Director), Zhang Ke (Non-executive Director), Ding Huiping (Independent Non-executive Director), Wang Dashu (Independent Non-executive Director), Zong Wenlong (Independent Non-executive Director) and Wang Chuanshun (Independent Non-executive Director).

Beijing, the PRC
12 December 2016

Notes:

1. Proposed election of director

The biographical details of Mr. Tian Hongbao and certain other relevant information required to be disclosed under the Hong Kong Listing Rules are set out in the Circular.

2. Proxies

Since the proxy form for the EGM (the “**Old Proxy Form**”) sent together with the Notice does not contain the newly-added resolution as set out in the Supplemental Notice, a new proxy form for the EGM (the “**New Proxy Form**”) has been prepared and is enclosed with the Supplemental Notice.

You are requested to complete and return the New Proxy Form in accordance with the instructions printed thereon to the Secretarial Office of the Board or the Company’s registrar, Hong Kong Registrars Limited as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM or any adjournment thereof (the “**Closing Time**”).

A Shareholder who has not yet lodged the Old Proxy Form with the Secretarial Office of the Board or the Company’s registrar is requested to lodge the New Proxy Form if he or she wishes to appoint proxies to attend the EGM on his or her behalf. In this case, the Old Proxy Form should not be lodged with the Secretarial Office of the Board or the Company’s registrar.

SUPPLEMENTAL NOTICE OF EGM

A Shareholder who has already lodged the Old Proxy Form with the Secretarial Office of the Board or the Company's registrar should note that:

- (i). **If no New Proxy Form is lodged with the Secretarial Office of the Board or the Company's registrar, the Old Proxy Form will be treated as a valid proxy form lodged by him or her if correctly completed.** The proxy so appointed by the Shareholder will be entitled to vote at his or her discretion or to abstain on any resolution properly put to the EGM other than those referred to in the Notice and the Old Proxy Form, including the newly-added resolution as set out in the Supplemental Notice.
- (ii). **If the New Proxy Form is lodged with the Secretarial Office of the Board or the Company's registrar before Closing Time, the New Proxy Form will revoke and supersede the Old Proxy Form previously lodged by him or her. The New Proxy Form will be treated as a valid proxy form lodged by the Shareholder if correctly completed.**
- (iii). **If the New Proxy Form is lodged with the Secretarial Office of the Board or the Company's registrar after the Closing Time, the New Proxy Form will be invalid. However, it will revoke the Old Proxy Form previously lodged by the Shareholder, and any vote that may be cast by the purported proxy (whether appointed under the Old Proxy Form or the New Proxy Form) will not be counted in any poll which may be taken on a proposed resolution. Accordingly, Shareholders are advised not to lodge the New Proxy Form after the Closing Time.** If such Shareholder wishes to vote at the EGM, he/she will have to attend in person and vote at the EGM by himself/herself. Shareholders are reminded that completion and delivery of the Old Proxy Form and/or the New Proxy Form will not preclude Shareholders from attending and voting in person at the EGM or at any adjournment thereof should they so wish.

3. Miscellaneous

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

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