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OVERVIEW

In preparation for the Global Offering, our Company was established through Reorganization by converting HNEIC, our predecessor, into a joint stock company with limited liability. On August 5, 2010, acting as Promoters, Huaneng Group and Huaneng Capital, a wholly-owned subsidiary of Huaneng Group, established our Company with a registered capital of RMB5,800 million. Upon establishment, we had a total of 5,800 million issued and outstanding Domestic Shares, with a par value of RMB1.00 each. We issued to Huaneng Group 5,510 million Domestic Shares, or 95% of our total issued and outstanding Shares and issued 290 million Domestic Shares, or 5% of our total issued and outstanding Shares, to Huaneng Capital. Immediately after the completion of the Global Offering, Huaneng Group will own, directly and indirectly, approximately 67.00% of our issued share capital, (or 63.68% if the Over-allotment Option is exercised in full). Huaneng Group will continue to be our Controlling Shareholder after the completion of the Global Offering.

DELINEATION OF BUSINESS AND COMPETITION

Our core business

We are a leading pure-play renewable energy company in the PRC with a primary focus on wind power generation.

Business Retained by Huaneng Group

In preparation for the Global Offering, we underwent the Reorganization by converting HNEIC, our predecessor, from a one person limited liability company into a joint stock company with limited liability. After the Reorganization, we are the holding company of HNEIC's subsidiaries and retained all the business carried out by HNEIC. See the section headed "History, Reorganization and Corporate Structure — Reorganization" for further details on the Reorganization.

Huaneng Group, through its listed or unlisted subsidiaries, has retained certain businesses in sectors which we also operate in. These businesses will continue to be retained or operated by Huaneng Group after the completion of the Global Offering. Save for the retained business referred to below, there is no other business retained or operated by Huaneng Group which will compete or is likely to compete with our core business. The retained business include:

- 31 operating wind power projects with a total installed capacity of 1,647.4 MW; 6 wind power projects currently under construction with a total installed capacity of 270.5 MW, which are owned by Huaneng Group's unlisted subsidiaries ("Retained Business by Huaneng Group's Unlisted Subsidiaries") as of December 31, 2010;
- equity interest in three listed companies with part of their businesses relating to wind power generation ("Retained Business by Huaneng Group's Listed Subsidiaries"), including:
 - controlling approximately 51.0% equity interest in HPI through itself, its wholly owned subsidiary China Huaneng Hong Kong Co., Ltd. (中國華能集團香港有限公司) and HIPDC (owned as to approximately 57.0% by Huaneng Group). HPI is listed on the New York Stock Exchange ("NYSE"), the Shanghai Stock Exchange and the Stock Exchange as of the Latest Practicable Date;
 - controlling approximately 71.1% equity interest in Inner Mongolia Mengdian Huaneng Thermal Power Corporation Limited (內蒙古蒙電華能熱電股份有限公司) ("NMHD") through North United Power Co., Ltd. (北方聯合電力有限責任公司) ("NUP") (owned as to 51.0% by Huaneng Group). NMHD is an A-share company listed on the Shanghai Stock Exchange as of the Latest Practicable Date; and

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- controlling approximately 18.5% equity interest in Shandong Xinneng Taishan Power Generation Co., Ltd. (山東新能泰山發電股份有限公司) (“Nengshan”) through Huaneng Taishan Electric Power Co., Ltd. (華能泰山電力有限公司) (“HTEP”) (owned as to 56.5% through Huaneng Shandong Electric Power Generation Co., Ltd. (華能山東發電有限公司), a wholly-owned subsidiary of Huaneng Group). Nengshan is an A-share company listed on the Shenzhen Stock Exchange as of the Latest Practicable Date.

(collectively, the “Retained Business”)

HPI, NMHD and Nengshan are collectively referred to as the “Huaneng Group’s Listed Subsidiaries.”

Huaneng Group

Huaneng Group is a state-owned enterprise managed by SASAC. It is an incorporated business entity primarily focusing on power generation with a diversified business portfolio. Huaneng Group is the largest power company in China in terms of total installed capacity in 2010. As of December 31, 2010, the total installed capacity of Huaneng Group’s unlisted subsidiaries (other than that of our Group) was approximately 48,651 MW, consisting of coal power (including natural gas), hydropower, wind power and photovoltaic energy and biomass energy businesses. For the year ended December 31, 2009 and 2010, the total revenue of Huaneng Group was approximately RMB177.7 billion and RMB227.0 billion and the net profit was approximately RMB5.0 billion and RMB4.2 billion, respectively. The net assets were approximately RMB94.9 billion and RMB101.6 billion as of December 31, 2009 and 2010.

As of December 31, 2010, Huaneng Group’s unlisted subsidiaries’ coal power (including natural gas) business and hydropower business had a total installed capacity of approximately 33,190 MW and 10,821 MW, respectively. For the year ended December 31, 2009 and 2010, based on the unaudited accounts of Huaneng Group’s unlisted subsidiaries’ coal power (including natural gas) and hydropower businesses, the total revenue generated from the coal power business was approximately RMB38.2 billion and RMB53.8 billion, respectively, and the total revenue generated from the hydropower business was approximately RMB4.6 billion and RMB9.1 billion, respectively. The coal power plants of Huaneng Group’s unlisted subsidiaries are principally located in Anhui, Jiangxi, Shaanxi, Inner Mongolia, Shandong, Hubei, Jilin, Hainan, Heilongjiang, Hebei, Henan and Jiangsu and the hydropower plants are principally located in Yunnan, Sichuan, Hubei, Gansu, Jilin, Zhejiang and Hainan.

To strengthen the delineation of business between us and Huaneng Group, we and Huaneng Group entered into the Non-Competition Agreement under which we were granted the option for new wind power business opportunities (the “Option for New Business Opportunities”), as well as the option (the “Option for Acquisitions”) and pre-emptive rights (the “Pre-Emptive Rights”) to acquire Retained Business by Huaneng Group’s Unlisted Subsidiaries. Huaneng Group confirms that we are Huaneng Group’s sole renewable energy platform for the ultimate consolidation of its renewable energy businesses such as wind power. Huaneng Group has confirmed that it will facilitate such consolidation on an arm’s length basis within five years commencing from November 1, 2010. Huaneng Group is facilitating the Retained Business by its unlisted subsidiaries in obtaining relevant permits and approvals from regulatory authorities for wind power development and generation. See the subsection headed “Non-Competition Agreement” in this section for further details.

Under the above arrangements and undertakings and given that Huaneng Group will continue to focus on coal power business as one of its main businesses while our core business is wind power business, the Directors consider that there is clear delineation between the business of us and that of the Huaneng Group.

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Retained Business by Huaneng Group's Unlisted Subsidiaries

Wind Power Business

Huaneng Group holds, and will continue to hold after the completion of the Global Offering, interest in various wind power businesses, through its unlisted subsidiaries. The financials (other than the estimated revenue) in relation to the wind power businesses of Huaneng Jilin Power Co., Ltd. (華能吉林發電有限公司), Huaneng Hainan Power Inc. (華能海南發電股份有限公司) and two wind farms of Huaneng Shandong Power Co., Ltd. (華能山東發電有限公司) are not available as the financials (other than the estimated revenue) relating to such wind power businesses cannot be readily segregated from their respective accounts. Excluding the above mentioned wind power businesses and Jinneng Dashentang Wind Farm (津能大神堂風電場), a 10%-owned wind farm of HIPDC, based on the unaudited accounts of the Retained Business by Huaneng Group's Unlisted Subsidiaries, the net income from the wind power generation business was approximately RMB51.1 million and RMB257.8 million, respectively for the year ended December 31, 2009 and 2010. The net asset was approximately RMB2.0 billion and RMB4.2 billion as of the end of 2009 and 2010, respectively. The estimated total revenue of the Retained Business by Huaneng Group's Unlisted Subsidiaries, with the estimated revenue of Huaneng Jilin Power Co., Ltd. (華能吉林發電有限公司), Huaneng Hainan Power Inc. (華能海南發電股份有限公司) and two wind farms of Huaneng Shandong Power Co., Ltd. (華能山東發電有限公司) included, was approximately RMB459.9 million and RMB903.6 million, respectively, for the year ended December 31, 2009 and 2010.

Set out below is a table summarizing Huaneng Group's wind power projects operated by its unlisted subsidiaries in the PRC as of December 31, 2010:

Operating wind power projects:

Project Company	Total Installed Capacity (in MW)	Huaneng Group's equity interest in the project company (%)	Location
Huaneng Heilongjiang Power Co., Ltd. ⁽¹⁾ (華能黑龍江發電有限公司)	99.0	100.0	Heilongjiang
Huaneng Jilin Power Co., Ltd. ⁽²⁾ (華能吉林發電有限責任公司)	246.0	100.0	Jilin
Huaneng Hainan Power Inc. ⁽³⁾ (華能海南發電股份有限公司)	49.5	89.9	Hainan
Huaneng International Power Development Corporation ⁽⁴⁾ (華能國際電力開發公司)	300.1	57.0	Jilin
North United Power Co., Ltd. (北方聯合電力有限責任公司) ⁽⁵⁾	99.0	57.0	Xinjiang
Huaneng Shandong Power Co., Ltd. ⁽⁶⁾ (華能山東發電有限公司)	654.8	51.0	Inner Mongolia
	199.0	100.0	Shandong
Total	<u>1,647.4</u>		

Notes:

- (1) Huaneng Heilongjiang Power Co., Ltd. through its subsidiary owns two operating wind farms, namely Tongjiang Jiejinshan Wind Farm (同江街津山風電場) and Tongjiang Sanjiangkou Wind Farm (同江三江口風電場).
- (2) Huaneng Jilin Power Co., Ltd. owns five operating wind farms, namely Mali Wind Farm I (馬力風電場1期) and Siping Wind Farms I, II, III and IV (四平風電場1、2、3和4期).
- (3) Huaneng Hainan Power Inc. owns one operating wind farm, namely Wenchang Wind Farm I (文昌風電場1期).
- (4) Huaneng International Power Development Corporation owns six operating wind farms, namely Tongyu Wind Farms I and II (通榆風電場1期和2期), Taobei Wind Farms I and II (洮北風電場1期和2期) and Baiyanghe Wind Farms I and II (白楊河風電場1期和2期).
- (5) North United Power Co., Ltd. through its subsidiaries owns 11 operating wind farms, namely Huitengxile Wind Farm (輝騰錫勒風電場), Shangdu Wind Farm (商都風電場), Xilin Wind Farm (錫林風電場), Zhurihe Wind Farm (珠日河風電場),

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Huitengxile 40MW Extension Wind Farm (輝騰錫勒40MW風電場擴建), Zhurihe 7.5MW Extension Wind Farm (珠日河7.5MW風電場擴建), Huitengliang Wind Farm (灰騰梁風電場), Saihan Wind Farm (賽罕風電場), Huitengxile 24MW Wind Farm (輝騰錫勒24MW風電場), Huitengliang 300MW Wind Farm (灰騰梁300MW風電場) and Huitengxile 100MW Wind Farm (輝騰錫勒風電場100MW).

- (6) Huaneng Shandong Power Co., Ltd. through its subsidiaries owns four operating wind farms, namely Shandong Changdao Wind Farm (山東長島風電場), Dongyinghekou Wind Farm I (東營河口風電場1期), Rongcheng 15MW Wind Farm (榮成15MW風電場) and Laizhou Wind Farm II (萊州風電場2期). It directly owns two operating wind farms, namely Huaneng Muping Wind Farm (華能牟平風電場) and Rushan Wind Farm I (乳山風電場1期).

Wind power projects under construction:

Project Company	Total Capacity (in MW) ⁽¹⁾	Huaneng Group's equity interest in the project company (%)	Location
Huaneng Heilongjiang Power Co., Ltd. ⁽²⁾ (華能黑龍江發電有限公司)	96.0	100.0	Heilongjiang
Huaneng Jilin Power Co., Ltd. ⁽³⁾ (華能吉林發電有限責任公司)	99.0	100.0	Jilin
Huaneng International Power Development Corporation ⁽⁴⁾ (華能國際電力開發公司)	26.0	57.0	Tianjin
Huaneng Shaanxi Power Co., Ltd. ⁽⁵⁾ (華能陝西發電有限公司)	49.5	100.0	Shaanxi
Total	<u>270.5</u>		

Notes:

- (1) Total capacity refers to the aggregate capacity under construction of the project company, which is calculated by including 100% of the capacity under construction of the project company, regardless of the level of Huaneng Group's equity interest in such companies.
- (2) Huaneng Heilongjiang Power Co., Ltd. through its subsidiary owns two wind farms under construction, namely Daqing Aobao Wind Farm (大慶敖包風電場) and Daqing Heping Wind Farm (大慶和平風電場).
- (3) Huaneng Jilin Power Co., Ltd. owns two wind farms under construction, namely Mali Wind Farm II (馬力風電場2期) and Tongyutuanjie Wind Farm A (通榆團結A風電場).
- (4) Huaneng International Power Development Corporation through its subsidiary holds 10% equity interest in Jinneng Dashentang Wind Farm (津能大神堂風電場).
- (5) Huaneng Shaanxi Power Co., Ltd. owns one wind farm under construction, namely Jingbian Wind Farm I (靖邊風電場1期).

Our core business has been wind power generation since our inception. The Reorganization is to convert HNEIC from a one person limited liability company into a joint stock company with substantially all of the original wind power business owned and operated by HNEIC. As such, we are able to continue to focus on our lines of business without having to deal with the distractions that may arise from a typical business reorganization. The unlisted subsidiaries of Huaneng Group will continue to operate the Retained Business by Huaneng Group's Unlisted Subsidiaries after the completion of the Global Offering.

Notwithstanding the plan for the unlisted subsidiaries of Huaneng Group to continue to operate the Retained Business by Huaneng Group's Unlisted Subsidiaries, we have been closely monitoring the development of such businesses. The Directors were of the view that these businesses did not fit the acquisition criteria because of a wide range of reasons, including but not limited to, the power plants' wind resource condition, geological characteristics, construction and grid connection condition, estimated profitability, investment value and permits and approval requirements. In particular, it is noted that the Retained Business by Huaneng Group's Unlisted Subsidiaries is still in the process of obtaining relevant permits and approvals from regulatory authorities for wind power development and generation. In some cases, we are not in a position to assess the

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financial merits of certain wind power businesses because their accounts are not readily available or it takes a long time to prepare such accounts.

In light of the reasons stated above, the Directors are of the view that the inclusion of Retained Business by Huaneng Group's Unlisted Subsidiaries prior to the completion of the Global Offering is not in our best interest or our shareholders. However, we will continue to monitor the development of these wind power projects and consider acquiring them when appropriate.

Due to the similar business nature, the Directors consider that there may be potential competition between Huaneng Group and us as far as the Retained Business by Huaneng Group's Unlisted Subsidiaries and conventional power business are concerned. See the sub-section headed "Risk Factors — Risks Relating to Our Business and Industry — We face competition from other renewable energy companies, in particular, other wind power developers. We may also face competition from non-renewable power developers." in this prospectus for further details. However, the competition is not extreme for the following reasons:

- according to the Renewable Energy Law and relevant regulations, grid companies are required to provide grid connection services and related technical support, and purchase the full amount of electricity generated from renewable energy projects that are located in the areas covered by the grid company. In addition, the PRC government regulates the on-grid tariffs for wind farms. However, in practice, the sale of electricity generated by our wind power projects may be limited by the transmission capacity of the local power grids. See the sub-section headed "Risk Factors — Risks Relating to Our Business and Industry — We rely on local grid companies for grid connection and electricity transmission and dispatch." for more details. The Directors are of the view that the competition between renewable energy projects in operation in the PRC is not extreme even if they are located in the same province in terms of grid connection, electricity sales and on-grid tariff due to the aforementioned legal requirements and after considering other factors affecting the transmission capacity of the local power grids. In respect of any possible change in the applicable laws, regulations and policies relating to wind power business in the PRC, we will keep track of those changes with the relevant PRC regulators and professional bodies, which allows us to familiarize ourselves with the same, and keep abreast with the development of the wind power business in the PRC; and
- wind power business is not the business focus of Huaneng Group's unlisted subsidiaries. We have been granted the Option for New Business Opportunities, the Option for Acquisitions and the Pre-Emptive Rights under the Non-Competition Agreement. As such, we retain the flexibility to acquire the wind power projects from Huaneng Group in the future if the Directors believe that such acquisition would be in the interest of our business and our Shareholders and to venture into other new wind power business. See the subsection headed "Non-Competition Agreement" in this section for details of Non-Competition Agreement.

Retained Business by Huaneng Group's Listed Subsidiaries

Huaneng Group currently holds equity interest in three listed companies, each of which operates wind power and/or other renewable energy business as part of their business. The three listed companies are HPI, NMHD and Nengshan.

HPI

HPI is a company listed on the NYSE, the Shanghai Stock Exchange and the Stock Exchange. HPI is principally engaged in developing, constructing, operating and managing large-scale power plants in the PRC.

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As of December 31, 2010, Huaneng Group controlled approximately 51.0% equity interest and its corresponding voting rights in HPI through itself, its wholly owned subsidiary China Huaneng Hong Kong Co., Ltd. (中國華能集團香港有限公司) and HIPDC (owned as to approximately 57.0% by the Huaneng Group).

According to the 2010 annual report of HPI filed with the Stock Exchange, the board of directors of HPI consisted of 15 directors, four of which held positions in Huaneng Group. The coal power plants of HPI were principally located in Chongqing, Liaoning, Fujian, Hebei, Henan, Jiangsu, Gansu, Guangdong, Shanghai, Shandong and Zhejiang and the wind farms were located in Jiangsu, Inner Mongolia, Hebei and Gansu. For the year ended December 31, 2010, the revenue of HPI was approximately RMB104.3 billion (including the revenue from the sales of power and heat of approximately RMB102.5 billion, the sales of coal of approximately RMB861.9 million, the port service business of approximately RMB229.7 million and the transportation service business of approximately RMB10.9 million) and the net profit was approximately RMB3.3 billion. As of December 31, 2010, the net asset was approximately RMB62.4 billion. According to the 2010 annual report of HPI filed with the U.S. Securities and Exchange Commission (“2010 HPI Annual Report”), by the end of March 31, 2011, the total installed capacity of HPI was 55,361.5 MW, consisting of the installed capacity of 51,281 MW for coal power projects, 240.5 MW for wind power projects, 1,170 MW for the combined cycle gas turbine project, 1,200 MW for the oil-fired steam generation project and 1,470 MW for the natural gas project. The total installed capacity of HPI’s operating coal power business and renewable energy business (including wind power business) accounted for approximately 92.6% and 0.4% of HPI’s total installed capacity, respectively.

According to the 2010 HPI Annual Report, we set out below a table summarizing HPI’s wind power businesses as of March 31, 2011:

Operating wind power projects:

Project	Total Installed Capacity (in MW)	HPI’s equity interest (%)	Location
Huaneng Qidong Wind Farm (operating) (華能啓東風電場)	141.5	65.0	Jiangsu
Huaneng Huade Wind Farm (operating) (華能化德風電場)	49.5	100.0	Inner Mongolia
Huaneng Kangbao Wind Farm (operating) (華能康保風電場)	49.5	100.0	Hebei
Total	<u>240.5</u>		

Wind power projects under construction:

Project	Total Capacity (in MW) ⁽¹⁾	HPI’s equity interest (%)	Location
Huaneng Gansu Ganhekou Wind Farm II (under construction) (華能甘肅幹河口風電場2期)	199.5	100.0	Gansu
Huaneng Gansu Qiaowan Wind Farm II (under construction) (華能甘肅橋灣風電場2期)	201.0	100.0	Gansu
Huaneng Gansu Qiaowan Wind Farm III (under construction) (華能甘肅橋灣風電場3期)	101.0	100.0	Gansu
Wafangdian Wind Power Farm (under construction) (瓦房店風電場)	48.0	100.0	Liaoning
Changtu Taiping Wind Farm (under construction) (昌圖太平風電場)	49.5	100.0	Liaoning
Total	<u>599.0</u>		

Note:

- (1) Total capacity refers to the aggregate capacity under construction of the project company, which is calculated by including 100% of the capacity under construction of the project company, regardless of the level of Huaneng Group’s equity interest in such companies.

NMHD

NMHD is an A-share company listed on the Shanghai Stock Exchange. The business scope of NMHD includes, among others, coal power generation, the generation, supply, sales, maintenance and administration of

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steam and hot water, the generation and supply of wind power and other renewable resources, the investment of coal and railways and its ancillary infrastructure projects, the investment of limestone and raw materials of power generation.

As of December 31, 2010, Huaneng Group controlled approximately 71.1% equity interest and its corresponding voting rights in NMHD through NUP (owned as to 51.0% by Huaneng Group).

According to the 2010 annual report of NMHD, the board of directors of NMHD consisted of 12 directors, two of which held positions in Huaneng Group. As of December 31, 2010, the total installed capacity of NMHD was 4,920.0 MW. The coal power plants and wind farms of NMHD were all located in Inner Mongolia. For the year ended December 31, 2010, the revenue of NMHD was approximately RMB6.7 billion (including the revenue from the sales of power of approximately RMB6.4 billion and the sales of steam of approximately RMB47.8 million) and the net profit was approximately RMB1.2 billion. As of December 31, 2010, the net asset was approximately RMB6.5 billion. NMHD has three wind farms under construction, namely, Wulijimuren Wind Farm I (烏力吉木仁風電場1期), Baiyunebo Wind Farm I (白雲鄂博風電場1期) and Eregetu Wind Farm (額爾格圖風電場).

According to NMHD's announcements published on the Shanghai Stock Exchange dated October 27, 2008, August 24, 2009 and its 2010 annual report, we set out below a table summarizing NMHD's wind power businesses as of December 31, 2010:

Project	Total Capacity (in MW)⁽¹⁾	NMHD's equity interest (%)	Location
Wulijimuren Wind Farm I (under construction) (烏力吉木仁風電場1期)	49.5	100.0	Inner Mongolia
Baiyunebo Wind Farm I (under construction) (白雲鄂博風電場1期)	49.0	100.0	Inner Mongolia
Eregetu Wind Farm (under construction) (額爾格圖風電場)	49.5	100.0	Inner Mongolia
Total	<u>148.0</u>		

Note:

(1) Total capacity refers to the aggregate capacity under construction of the project company, which is calculated by including 100% of the capacity under construction of the project company, regardless of the level of Huaneng Group's equity interest in such companies.

Nengshan

Nengshan is an A-share company listed on the Shenzhen Stock Exchange. The business scope of Nengshan includes, among others, the production and sale of electric power, the production and sale of wires, cable, electrical appliances, electrical machinery and equipment, adaptors, rubber and plastic products, the processing of metal materials, the manufacturing, sale and installation of highway fencing.

As of December 31, 2010, Huaneng Group controlled approximately 18.5% equity interest and its corresponding voting rights in Nengshan through HTEP (owned as to approximately 56.5% through Huaneng Shandong Electric Power Generation Co., Ltd. (華能山東發電有限公司), a wholly-owned subsidiary of Huaneng Group).

According to the 2010 annual report of Nengshan, the board of directors of Nengshan consisted of 11 directors, none of which held any position in Huaneng Group. The coal power plants and wind farms of Nengshan were all located in Shandong province. According to the 2010 annual report of Nengshan, the revenue of Nengshan was approximately RMB2.8 billion (including the revenue from the sales of power of approximately RMB1.9 billion, the cable business of approximately RMB557.9 million and the sales of the coal

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business of approximately RMB139.2 million) and the net loss was approximately RMB32.5 million. As of December 31, 2010, the net asset was approximately RMB1.1 billion.

According to Nengshan's announcement published on the Shenzhen Stock Exchange dated October 20, 2010 and the 2010 annual report of Nengshan, we set out below a table summarizing Nengshan's wind power businesses as of December 31, 2010:

Project	Total Installed Capacity (in MW)	Nengshan's equity interest (%)	Location
Laizhou Wind Farm I (operating) (萊州風電場I期)	49.5	80.0	Shandong
Total	<u>49.5</u>		

Immediately after the Global Offering, Huaneng Group's Listed Subsidiaries will continue to own and operate various wind power projects in the PRC as set out above. The inclusion of the Retained Business of Huaneng Group's Listed Subsidiaries is practically unattainable because HPI, NMHD and Nengshan are listed companies. The operational and investment decisions of these listed companies are decided by their respective board of directors and management teams, which are independent of their respective controlling shareholders.

Due to the similar business nature, the Directors consider that there may be potential competition between Huaneng Group and us as far as the Retained Business by Huaneng Group's Listed Subsidiaries and conventional power business are concerned. See the sub-section headed "Risk Factors — Risks Relating to Our Business and Industry — We face competition from other renewable energy companies, in particular, other wind power developers. We may also face competition from non-renewable power developers." in this prospectus for further details. However, the competition is not extreme for the following reasons:

- according to the Renewable Energy Law and relevant regulations, grid companies are required to provide grid-connection services and related technical support, and purchase the full amount of electricity generated from renewable energy projects that are located in the areas covered by the grid company. In addition, the PRC government regulates the on-grid tariffs for wind farms. However, in practice, the sales of electricity generated by our wind power projects may be limited by the transmission capacity of the local power grids. See the sub-section headed "Risk Factors — Risks Relating to Our Business and Industry — We rely on local grid companies for grid connection and electricity transmission and dispatch." for more details. As a result of these legal requirements, the Directors are of the view that the competition between renewable energy projects in operation in the PRC is not extreme even if they are located in the same province in terms of grid connection, electricity sales and on-grid tariff due to the aforementioned legal requirements and after considering other factors affecting the transmission capacity of the local power grids. In respect of any possible change in the applicable laws, regulations and policies relating to renewable energy business in the PRC, we will keep track of those changes with the relevant PRC regulators and professional bodies, which allows us to familiarize ourselves with the same, and keep abreast with the development of the renewable energy business in the PRC; and
- wind power business is not the principal business of each of the Huaneng Group's Listed Subsidiaries. Compared to our wind power business, the wind power businesses of each of HPI, NMHD and Nengshan is much smaller in scale. The existing total installed capacity of the wind power business of HPI, NMHD and Nengshan after becoming fully operational will be 839.5 MW, 148.0 MW and 49.5 MW, respectively. By comparison, the consolidated installed capacity of the Company's wind power business as of December 31, 2010 was 3,522.4 MW and is expected to increase to approximately 5,100 MW by the end of 2011. Accordingly, the Directors do not consider that wind power business of each of Huaneng Group's Listed Subsidiaries would pose significant competition to us.

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The Directors believe that Huaneng Group does not compete with us through Huaneng Group's Listed Subsidiaries for the following reasons:

- as HPI, NMHD and Nengshan are all listed companies, business decisions are decided by their respective senior management and the boards of directors. The directors of such listed companies shall act in the best interest of the respective shareholders with respect to the affairs of the company and shall comply with the requirements of the respective rules of stock exchanges and shall seek independent shareholders' approval, if required; and
- as HPI, NMHD and Nengshan are all listed companies, business decisions are independent of the controlling shareholder. Furthermore, Huaneng Group is not able to control all business decisions of its listed subsidiaries simply by virtue of its shareholding in such listed subsidiaries, including decisions on whether or not to compete with us.

HUANENG GROUP'S NON-COMPETITION UNDERTAKINGS TO ITS LISTED SUBSIDIARIES

We understand that Huaneng Group and its subsidiaries had granted certain non-competition undertakings to HPI, NMHD and Nengshan respectively in the past (the "Huaneng Group's Non-competition Undertakings to its Listed Subsidiaries").

Huaneng Group confirms that the undertakings granted under Huaneng Group's Non-Competition Undertakings to its Listed Subsidiaries only refer to the conventional energy business and our Company is Huaneng Group's sole renewable energy platform for the ultimate consolidation of its renewable energy businesses such as wind power. Huaneng Group has confirmed that it will facilitate such consolidation on an arm's length basis within five years. As such, the Directors are of the view that there is no conflict between the undertakings granted under the Huaneng Group's Non-competition Undertakings to its Listed Subsidiaries and the non-competition undertakings granted to the Company under the Non-Competition Agreement.

In addition, after reviewing publicly available information relating to the Huaneng Group's Non-competition Undertakings to its Listed Subsidiaries and the relevant documentation, our PRC legal advisers, DeHeng Law Offices, confirm that the undertakings granted under the Huaneng Group's Non-competition Undertakings to its Listed Subsidiaries do not contradict with the non-competition undertakings granted to the Company under the Non-Competition Agreement.

NON-COMPETITION AGREEMENT

We entered into the Non-Competition Agreement with Huaneng Group on August 6, 2010, as amended by a supplemental agreement dated November 23, 2010, under which Huaneng Group agreed not to compete with us in our core businesses and granted us the Option for New Business Opportunities, the Option for Acquisitions and the Pre-Emptive Rights.

Non-Competition Agreement

To further delineate the business between Huaneng Group and the Group, we entered into the Non-competition Agreement, under which Huaneng Group agreed not to, and to procure its subsidiaries (other than Huaneng Group's Listed Subsidiaries) not to, compete with us in our wind power business and granted to us the Option for New Business Opportunities, the Option for Acquisitions and the Pre-Emptive Rights.

Huaneng Group has confirmed that we are Huaneng Group's sole renewable energy platform for the ultimate consolidation of its renewable energy businesses such as wind power and that it will facilitate such

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consolidation on an arm's length basis within five years. Other than the Retained Business by Huaneng Group's Unlisted Subsidiaries, during the period of the Non-Competition Agreement, it will not, and will also procure that its subsidiaries (other than Huaneng Group's Listed Subsidiaries) do not, in or outside of the PRC, alone or with any other entity, in any form, directly or indirectly, engage in, assist or support a third party in the operation of, or participate in, any businesses that compete, or are likely to compete, with our core business.

The foregoing restrictions do not apply to (i) the purchase or holding by Huaneng Group or its subsidiaries for investment purpose of not more than 10% equity interest in other listed company whose business competes or potentially competes with our core business; or (ii) the holding by Huaneng group or its subsidiaries of not more than 10% equity interest in another company whose business competes or potentially competes with our core business, as a result of such company's debt restructuring ("Investment Companies"). For the avoidance of doubt, the exemptions do not apply to Investment Companies which Huaneng Group or its subsidiaries are able to control their respective board of directors notwithstanding the fact that Huaneng Group's or its subsidiaries' interests in such Investment Companies are not more than 10%.

Option for New Business Opportunities

Huaneng Group has undertaken in the Non-Competition Agreement that:

- (i) if Huaneng Group becomes aware of a new business opportunity which directly or indirectly competes, or may compete, with our core business, Huaneng Group shall notify us in writing and provide us all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity ("Offer Notice"). Huaneng Group is also obliged to use its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable. We are entitled to decide whether or not to take up such business opportunity within 30 days from receiving the Offer Notice. If we decide to take up such business opportunity, Huaneng Group is obliged to transfer the new business opportunity to us upon terms that are fair and reasonable. If we decide not to take up the new business opportunity or do not respond to Huaneng Group within 30 days from receiving the Offer Notice, Huaneng Group or its subsidiaries may operate such new business opportunity at its discretion.
- (ii) Huaneng Group undertakes that it will procure all of its subsidiaries (other than the Huaneng Group's Listed Subsidiaries) to offer a right of first refusal to us over any business opportunity which they encounter that competes, or may compete, directly or indirectly, with our core business.

The independent non-executive Directors will be responsible for reviewing the Options for New Business Opportunities and considering whether or not to take up a new business opportunity referred to by Huaneng Group and such decision will be made by the independent non-executive Directors. When considering whether or not to exercise the Options for New Business Opportunities, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, the power plants' wind resource condition, geological characteristics, construction and grid connection condition, estimated profitability, investment value and permits and approval requirements.

Option for Acquisitions

In relation to:

- (i) the Retained Business by Huaneng Group's Unlisted Subsidiaries; and/or
- (ii) any new business opportunity referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, the Company and has been retained by Huaneng Group or any of its

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unlisted subsidiaries, which competes, or may lead to competition, directly or indirectly, with our core business.

Huaneng Group has undertaken to grant us the option which is exercisable at any time during the term of the Non-Competition Agreement, pursuant to relevant laws and regulations, to purchase any equity interest, assets or other interests which form part of the Retained Business by Huaneng Group's Unlisted Subsidiaries or new businesses as described above, or to operate the Retained Business by Huaneng Group's Unlisted Subsidiaries or new businesses as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable PRC laws and regulations or the Articles of Association, the third party may purchase the equity interest, assets or other interests under the same terms. In this case, Huaneng Group will try its best to procure the third party to waive its statutory pre-emptive rights.

Huaneng Group shall procure each of its subsidiaries (other than the Huaneng Group's Listed Subsidiaries) to grant us the above option.

According to applicable PRC laws and regulations, an asset valuation report has to be prepared by an independent valuer and the parties must obtain the relevant approval or file with the relevant authority in accordance with the applicable laws if the subject matter of the transaction involves state-owned assets.

The consideration shall be determined with reference to the valuation conducted by an independent valuer and the transaction mechanism and procedure shall be determined after the negotiation between the parties in accordance with the applicable laws and regulations.

The independent non-executive Directors will perform a periodic review on the Retained Business by Huaneng Group's Unlisted Subsidiaries and make recommendations to the Board as to whether to exercise the option to acquire any of the Retained Business by Huaneng Group's Unlisted Subsidiaries. When considering whether or not to exercise the Option for Acquisitions, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, the power plants' wind resource condition, geological characteristics, construction and grid connection condition, estimated profitability, investment value and permits and approval requirements.

Pre-Emptive Rights

Huaneng Group has undertaken that, if it intends to transfer, sell, lease, license or grant to use any of the following interests to a third party:

- (i) the Retained Business by Huaneng Group's Unlisted Subsidiaries; and/or
- (ii) any new business opportunity of Huaneng Group referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, the Company and has been retained by Huaneng Group or any of its unlisted subsidiaries, which competes, or may lead to competition, directly or indirectly with our core business, the Company shall have pre-emptive right over these interests. Huaneng Group shall notify us by written notice ("Selling Notice") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by the Company to make a decision. We shall reply to the Huaneng Group in writing within 30 days from receiving the Selling Notice.

Huaneng Group has undertaken that until it receives the reply from the Company, it shall not notify any third party of the intention to transfer, sell, lease or license the business, (regardless of whether it

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has legal binding effect or not). If the Company decides not to exercise the pre-emptive rights or if the Company does not reply to Huaneng Group within the agreed time period, Huaneng Group is entitled to transfer, sell, lease or license the business to a third party pursuant to the terms stipulated in the Selling Notice.

Huaneng Group shall procure each of its subsidiaries (other than the Huaneng Group's Listed Subsidiaries) to grant us the pre-emptive rights over the above interests.

In addition, pursuant to applicable PRC laws and regulations, an asset valuation report has to be prepared by an independent valuer and the parties must obtain the relevant approval or file with the relevant authority in accordance with the applicable laws if the subject matter of the transaction involves state-owned assets.

When Huaneng Group delivers to the Company the Selling Notice, the Company will report to the independent non-executive Directors within one week of receipt for their consideration before reverting to Huaneng Group within the 30-day period from the date of receiving the Selling Notice. The independent non-executive Directors will be responsible for reviewing and considering whether or not to exercise the pre-emptive rights and such decision will be made by the independent non-executive Directors. When considering whether or not to exercise the Pre-Emptive Rights, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, the power plants' wind resource condition, geological characteristics, construction and grid connection condition, estimated profitability, investment value and permits and approval requirements.

Huaneng Group has further undertaken that:

- (i) it will provide all information necessary for the independent non-executive Directors to review Huaneng Group's compliance with and enforcement of the Non-Competition Agreement;
- (ii) it agrees that we disclose the decision made by the above-mentioned independent non-executive Directors committee related to the compliance with and enforcement of the non-competition agreement in our annual report, or by way of announcement; and
- (iii) it will make a declaration regarding its compliance with the undertakings provided in the Non-Competition Agreement to enable us to disclose such declaration in our annual report.

The Company will also adopt the following procedures to monitor that the undertakings under the Non-Competition Agreement are being observed:

- (i) we will provide to the independent non-executive Directors the Offer Notice and Selling Notice (as the case may be) on the new business opportunity referred to us by Huaneng Group or pre-emptive rights within one week of receipt;
- (ii) the independent non-executive Directors will report their findings on the compliance by Huaneng Group of the Non-Competition Agreement in our annual report;
- (iii) if the independent non-executive Directors deem necessary or in any event when the proposed acquisition requires independent shareholders approval in accordance with the Listing Rules, we will engage independent financial advisers at our own costs to advise the independent non-executive Directors as to whether or not to exercise the Options for New Business Opportunities, the Options for Acquisitions or the Pre-Emptive Rights; and

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- (iv) the Directors consider that the independent non-executive Directors have sufficient experience in assessing whether or not to take up the new business opportunities or exercise the pre-emptive rights. In any event, the committee formed by the independent non-executive Directors may appoint financial advisors or professional experts to provide advice, at the cost of the Company, in connection with the exercise or non-exercise of the option or right of first refusal under the Non-Competition Agreement.

The Non-Competition Agreement will remain in full force and be terminated upon the earlier of:

- (i) Huaneng Group and its subsidiaries, directly or indirectly, holding less than 30% of our total share capital; or
- (ii) our H Shares no longer being listed on the Stock Exchange or other internationally recognized stock exchanges (other than any trade suspension of the Company for any reasons).

Our PRC legal advisers are of the view that the Non-Competition Agreement and Huaneng Group's undertakings pursuant to the Non-Competition Agreement are valid and binding obligations of Huaneng Group under the PRC law and may be enforced by us in the courts of the PRC.

Based on: (a) the undertaking by Huaneng Group that it will give a priority support to our development of the wind power business, (b) the legally binding obligations of Huaneng Group as set out in the Non-Competition Agreement and related grant of the Options for New Business Opportunities, the Option for Acquisitions and the Pre-emptive Rights, and (c) the information-sharing and other mechanisms in place as described above to monitor compliance by Huaneng Group, the Directors are of the view that the Company has taken all appropriate and practicable steps to ensure compliance by Huaneng Group with its obligations under the Non-Competition Agreement.

INDEPENDENCE FROM HUANENG GROUP

Having considered the following factors, we are satisfied that we can conduct our business independently from Huaneng Group and its associates after the Global Offering.

Independence of Board and Management

The board of Directors consists of 11 directors, eight of whom do not hold any position in Huaneng Group. Of these eight Directors, four are independent non-executive Directors and four are executive Directors.

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Set out below is a table summarizing the positions held by the Directors at the Company, Huaneng Group and its subsidiaries:

Name of Directors	Position with the Company	Position with Huaneng Group as of the Latest Practicable Date	Position with Huaneng Group's subsidiaries as of the Latest Practicable Date
Cao Peixi (曹培璽)	Non-executive Director and Chairman	President	Chairman of HIPDC Chairman and an executive director of HPI
Huang Long (黃龍)	Non-executive Director and Vice Chairman	Vice President	Director of HIPDC Vice Chairman and a non-executive director of HPI
Zhao Keyu (趙克宇)	Non-executive Director	Chief of the Planning Department	N/A
Zhao Shiming (趙世明)	Executive Director and President	N/A	N/A
Niu Dongchun (牛棟春)	Executive Director and Vice President	N/A	N/A
Yang Qing (楊青)	Executive Director, Vice President and CFO	N/A	N/A
He Yan (何焱)	Executive Director and Vice President	N/A	N/A
Qin Haiyan (秦海岩)	Independent non-executive Director	N/A	N/A
Dai Huizhu (戴慧珠)	Independent non-executive Director	N/A	N/A
Zhou Shaopeng (周紹朋)	Independent non-executive Director	N/A	N/A
Wan Kam To (尹錦滔)	Independent non-executive Director	N/A	N/A

Apart from the above, none of the Directors or senior management holds any position or has any roles or responsibility in Huaneng Group or its subsidiaries or Nengshan. The Company and Huaneng Group are managed by different management personnel.

None of the independent non-executive Directors has any relationship with Huaneng Group. Mr. Qin Haiyan and Ms. Dai Huizhu possess in-depth knowledge and experience in the wind power industry while Mr. Wan Kam To possesses in-depth knowledge and experience in financial and accounting matters. On this basis, there are sufficient non-overlapping directors who are independent from Huaneng Group and have relevant experience to ensure the proper functioning of the Board.

Other than certain directorships and/or positions held by some of the Directors in Huaneng Group mentioned above, the Directors have confirmed that they do not have any interests in any business which directly or indirectly competes or is likely to compete with our business as of the Latest Practicable Date.

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We believe that the Directors and senior management are able to perform their roles in the Company independently and the Company is capable of managing its business independently of Huaneng Group after the Global Offering for the following reasons:

- the decision-making mechanism of the Board set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflict of interest, such as consideration of resolutions in relation to transactions with Huaneng Group, the relevant Director(s) who are connected with Huaneng Group will abstain from attending the meeting in respect of such resolution, abstain from voting and not be counted in the quorum. Further, when considering connected transactions, the independent non-executive Directors will review the relevant transactions;
- the directors holding positions in Huaneng Group are non-executive Directors of the Company. They are not involved in running the day-to-day business of the Company, but rather primarily responsible for strategy and planning matters as members of the Board. The day-to-day operation of the Company is managed by our senior management who do not hold any position in Huaneng Group and are our full-time employees;
- none of the Directors or the senior management has any shareholding interest in Huaneng Group; and
- we have appointed four independent non-executive Directors, comprising more than one-third of our Board, to provide a balance between the number of interested and independent Directors with a view to promoting the interests of the Company and our Shareholders as a whole.

Based on the above, the Directors are of the view that the Company operates independently of Huaneng Group from the management perspective.

Independence of Business Operations

We are in possession of all production and operating facilities and technology relating to our businesses. Currently, we engage in our core businesses independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on Huaneng Group in that regard.

We and Huaneng Group entered into the Trademark License Agreement, under which Huaneng Group has granted us a non-exclusive right to use its “HUANENG” and “華能” trademarks for nil consideration.

Apart from the above licensed trademarks, we registered our own trademarks both in the PRC and Hong Kong. See the section headed “Appendix X — Statutory and General Information — Our intellectual property rights” for further details. We plan to use our own trademarks in our daily business operations except in the circumstances that we need to identify ourselves as being a member of Huaneng Group by using the licensed trademarks. Therefore, the Directors are of the view that the Trademark License Agreement does not affect our independence of business operations. Also, the Directors are of the view that this agreement is entered into on normal commercial terms, and is fair and reasonable and in the interests of our Shareholders as a whole. See the section headed “Connected Transactions — Exempt Continuing Connected Transactions” in this prospectus for further details.

We have our own organizational structure with independent departments, each with specific areas of responsibility. In addition to maintaining a set of comprehensive internal control procedures to facilitate the effective operation of our business, we have protective measures to avoid conflicts or potential conflicts of

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interest and to safeguard the interests of our Shareholders as a whole. We have also adopted protective measures to ensure the enforceability of the Non-Competition Agreement between the Company and Huaneng Group. See the subsection headed “Non-Competition Agreement” in this section for details of the enforceability of such protective measures. We have also adopted a set of corporate governance manuals, such as rules of the Shareholders Meeting, rules of the Board Meeting, and Rules on the Conduct of Connected Transactions, which are based on the PRC laws and regulations.

Based on the above, the Directors are of the view that the Company operates independently of Huaneng Group from the business operation perspective.

Financial independence

Our own finance department is responsible for discharging the treasury, accounting, reporting, group credit and internal control functions of the Company, independent from Huaneng Group.

Our subsidiary Huaneng Shantou Nan’ao Wind Power Co., Ltd. (華能汕頭南澳風力發電有限公司) (“Shantou Nan’ao”) and China Construction Bank Guangdong Branch (“CCBGB”) entered into a loan agreement, under which Huaneng Group acted as the guarantor with respect to the Shaotou Nan’ao’s loan obligation (the “Guarantee by Huaneng Group”). The loan consists of an export credit loan and a long-term loan. The export credit loan was fully settled and repaid. With respect to the long-term loan, our Company is obligated to make semi-annual installment repayments which commenced on June 15, 2001 and ending on December 15, 2029 and pay no more than approximately US\$127,608 for each installment repayment starting from December 15, 2010. We do not propose to effect premature release of the Guarantee by Huaneng Group prior to the Listing, which would give rise to renegotiation with the Spanish government through CCBGB. Given that the outstanding long-term loan is approximately US\$4.1 million, which is less than 1% of our long-term borrowings as of December 31, 2010, the Directors are of the view that the Guarantee by Huaneng Group does not affect our financial independence. See the section headed “Connected Transactions — Exempt Continuing Connected Transactions” in this prospectus for further details.

Other than the transaction as described in the paragraph immediately above, we have settled all amounts due to Huaneng Group of a non-trading nature and the guarantees provided to us by Huaneng Group have been released prior to the Global Offering.

The Directors are of the view that we are capable of obtaining financing from third parties without relying on any guarantee or security provided by Huaneng Group or other connected persons and the PRC lenders are independent third parties. Therefore, the Directors are of the view that the Company operates independently of Huaneng Group from the financial perspective.