OVERVIEW

In preparation for the Global Offering, our Company was established as a joint stock limited company under the Company Law on August 19, 2011. Upon establishment of our Company, Huadian, our largest Shareholder, owned 90.4% of the total issued share capital of the Company (as to 85.8% being held directly and as to 4.6% being held through its two subsidiaries, Huadian Engineering and Wujiang Hydropower). Immediately upon completion of the Global Offering, Huadian will own, directly and through Huadian Engineering and Wujiang Hydropower, approximately 70.5% of the total issued share capital of the Company (or 68.2% if the Over-allotment Option is exercised in full). Huadian will remain our Controlling Shareholder.

DELINEATION OF BUSINESS AND COMPETITION

Business of our Group

We are a leading diversified clean energy company in China, primarily engaging in the development, management and operation of hydropower projects and coal-fired power plants in Fujian province and wind power and other clean energy projects throughout China. We also hold minority interests in a large-scale distributed energy project in Guangdong province and a nuclear power plant in Fujian province which is under construction. According to Frost & Sullivan, as of December 31, 2011, we were the largest hydropower company in Fujian province and in East China (including Fujian province) in terms of consolidated installed hydropower capacity and the fifth largest wind power company in China in terms of consolidated installed wind power capacity. The Group will continue to develop wind power and other clean energy businesses throughout China, and the hydropower and coal-fired power businesses within Fujian province.

Business of Huadian

Huadian is a wholly state-owned enterprise established in 2003 with a registered capital of RMB12.0 billion. The main businesses of Huadian Group (which for the purpose of the description under this subsection, includes our Group) include power generation and supply of electricity and heat, the development of power-related primary energy such as coal and the supply of technological related services.

As of December 31, 2011, the total installed capacity of Huadian Group was 94.10 GW, consisting of 74.91 GW of coal-fired power, 15.95 GW of hydropower and 3.24 GW of wind power and other types of energy. As of December 31, 2011, the total assets of Huadian Group were approximately RMB522.8 billion.

Business Retained by Huadian Group

In preparation for the Global Offering, we undertook the Reorganization, through which we retained the power generation businesses of Huadian Fujian and Huadian injected Huadian New Energy's business into our Group. Please see the section headed "History, Reorganization and Corporate Structure" for details of the Reorganization. As of the Latest Practicable Date, all of our hydropower and coal-fired power businesses were located in Fujian province, while our wind power and other clean energy businesses were located throughout China (the "Existing Business").

Huadian, through its listed and unlisted subsidiaries, has retained certain of its power generation businesses, which competes or is likely to compete with us (the "Competing Business") and will continue to operate the Competing Business after the Global Offering. The Competing Business principally includes:

- two wind power projects (Huadian Nujiang Wind Power Project and Huadian Inner Mongolia Wind Power Project) currently under construction, with a total estimated capacity of 99.0 MW, which are owned by Huadian's unlisted subsidiaries as of December 31, 2011;

- one coal-fired power plant (Kemen II) currently in operation, with a total capacity of 1,200.0 MW, which is owned by Huadian's unlisted subsidiary in Fujian province as of December 31, 2011; and

- equity interests in the following four listed companies, which are engaged in, among others, coal-fired power, hydropower and wind power generation, including:

  - ***Huadian International***

    As of December 31, 2011, Huadian directly held a 45.95% equity interest in Huadian International, a joint stock company with limited liability listed on the Shanghai Stock Exchange (Stock Code: 600627) and the Stock Exchange (Stock Code: 01071).

    Based on the 2011 annual report of Huadian International filed with the Stock Exchange ("Huadian International 2011 Annual Report"),[(1)] Huadian International mainly engages in the construction and operation of power plants, including large-scale efficient coal- and gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

    Based on the Huadian International 2011 Annual Report, as of December 31, 2011, the net assets of Huadian International totaled approximately RMB23.8 billion, the total controlled installed capacity amounted to 29,818 MW, including 27,934 MW attributable to coal- and gas-fired generating units, and 1,884 MW attributable to renewable energy generating units. For the year ended December 31, 2011, revenue generated from sale of electricity amounted to approximately RMB51,125 million and its operating profit amounted to RMB3,155 million.

(1) It is prepared in accordance with International Financial Reporting Standards.

- ***Huadian Energy***

As of December 31, 2011, Huadian directly held a 44.8% equity interest in Huadian Energy, a joint stock company with limited liability listed on the Shanghai Stock Exchange (Stock Code: 600726).

Huadian Energy is primarily engaged in the construction and operation of power plants heat provision and coal sales. Based on the 2011 annual report of Huadian Energy filed with the Shanghai Stock Exchange ("Huadian Energy 2011 Annual Report"),[2] most of Huadian Energy's power plants were coal-fired power plants located in the Northeast of China. For the year ended December 31, 2011, most of the revenue of Huadian Energy was generated within Heilongjiang province.

Based on the Huadian Energy 2011 Annual Report, for the year ended December 31, 2011, the revenue of Huadian Energy was RMB9.74 billion and it recorded a loss of approximately RMB118.7 million. As of December 31, 2011, the total assets of Huadian Energy totaled RMB22.1 billion. As of December 31, 2011, the total installed capacity of all power businesses controlled by Huadian Energy was 6,048 MW and the total attributable installed capacity of Huadian Energy was 5,709.5 MW.

- ***Shenyang Jinshan***

As of December 31, 2011, Huadian indirectly held a 29.8% equity interest in Shenyang Jinshan, a joint stock company with limited liability listed on the Shanghai Stock Exchange (Stock Code: 600396).

Shenyang Jinshan is primarily engaged in the construction and operation of power plants and other businesses related to power generation. Based on the 2011 annual report of Shenyang Jinshan filed with the Shanghai Stock Exchange ("Shenyang Jinshan 2011 Annual Report"),[2] most of Shenyang Jinshan's power plants were coal-fired power plants and wind power plants located in Liaoning province and coal-fired power plants located in Inner Mongolia.

Based on the 2011 annual report of Shenyang Jinshan filed with Shanghai Stock Exchange, for the year ended December 31, 2011, the revenue of Shenyang Jinshan was RMB3,207 million and its operating profit was RMB159.2 million. As of December 31, 2011, the total assets of Shenyang Jinshan totaled RMB14.0 billion.

(2) It is prepared in accordance with PRC GAAP.

- ***Qianyuan Power***

Qianyuan Power is a joint stock company with limited liability listed on the Shenzhen Stock Exchange (Stock Code: 002039). As of December 31, 2011, Huadian directly held a 13.58% equity interest in Qianyuan Power. Wujiang Hydropower, a subsidiary of Huadian, directly held a 12.2% equity interest in Qianyuan Power.

Qianyuan Power is primarily engaged in the construction and operation of power plants and other businesses related to power generation. Based on the 2011 annual report of Qianyuan Power filed with the Shenzhen Stock Exchange ("Qianyuan 2011 Annual Report"),[3] all of the power plants owned by Qianyuan Power were hydropower plants in Guizhou province.

Based on the Qianyuan 2011 Annual Report, for the year ended December 31, 2011, the revenue of Qianyuan Power was RMB980 million and it recorded a loss of approximately RMB119.66 million. As of December 31, 2011, the total assets of Qianyuan Power were RMB15.51 billion. As of December 31, 2011, the total installed capacity of Qianyuan Power in operation was 2,467 MW and the total attributable installed capacity of Qianyuan Power in operation was 1,475 MW; the total installed capacity of Qianyuan Power under construction was 745.5 MW and the total attributable installed capacity of Qianyuan Power under construction was 381 MW.

- Various other clean energy power projects.

Except for the Competing Business, there is no other material business retained or operated by Huadian Group, which competes or is likely to compete with our Existing Business.

Huadian entered into the Non-Competition Agreement with us on June 4, 2012, under which we were granted an option for new business opportunities in any Existing Business, as well as an option and pre-emptive rights to acquire the Competing Business of Huadian's unlisted subsidiaries. Huadian has acknowledged that we were formed and are operated as the platform for Huadian to develop diversified clean energy business. Please see "– Non-Competition Agreement and Undertakings" in this section for further details.

(A) Competing Business by Huadian's Unlisted Subsidiaries

Wind Power Business

As of the Latest Practicable Date, Huadian, through its unlisted subsidiaries other than our Group, operates two wind power projects in the PRC.

(3) It is prepared in accordance with PRC GAAP.

Huadian holds, and will after the Global Offering continue to hold, 51% equity interest in Huadian Nujiang River Hydropower Development Co., Ltd. (華電怒江水電開發有限公司), which owns one wind power plant in Yunnan province, namely Maoniuping Wind Power Plant (犛牛坪風電場) (the "Huadian Nujiang Wind Power Project"). As of December 31, 2011, Huadian Nujiang Wind Power Project was under construction with an estimated total installed capacity of 49.5 MW. During the Track Record Period, Huadian Nujiang Wind Power Project had not recorded any revenue, profit or loss. As of December 31, 2011, the total investment made into Huadian Nujiang Wind Power Project (unaudited) amounted to approximately RMB156.0 million.

Huadian holds, and will after the Global Offering continue to hold, 100% equity interest in Huadian Inner Mongolia Energy Co., Ltd. (華電內蒙古能源有限公司), which owns one wind-solar hybrid power plant in Inner Mongolia, namely Huadian Erlianhaote Wind-Solar Hybrid Power Electricity Supply Experimental Project (華電二連浩特風光互補城市供電示範項目) (the "Huadian Inner Mongolia Wind Power Project"). As of December 31, 2011, Huadian Inner Mongolia Wind Power Project was under construction with an estimated total installed capacity of 49.5 MW. During the Track Record Period, Huadian Inner Mongolia Wind Power Project had not recorded any revenue, profit or loss. As of December 31, 2011, the total assets of Huadian Inner Mongolia Wind Power Project (unaudited) were approximately RMB705.3 million and the net assets of Huadian Inner Mongolia Wind Power Project (unaudited) were approximately RMB90 million.

Set out below is a table summarizing the two wind power projects:

Project Company	Total Estimated Capacity	Location	Status
	(in MW)		
Huadian Nujiang Wind Power Project	49.5	Yunnan	Under construction
Huadian Inner Mongolia Wind Power Project	49.5 (wind power only)	Inner Mongolia	Under construction

Huadian Nujiang Wind Power Project is located in Yunnan province, where our Group also owns some pipeline wind power projects. Meanwhile, Huadian Inner Mongolia Wind Power Project is located in Inner Mongolia, where our Group also operates wind farms. Due to the similar business nature and overlapping geographical markets, our Directors consider that there may be potential competition between Huadian Group and us. However, for the following reasons, such potential competition, if it were to materialize, will be limited to our Group, and has been sufficiently addressed by the terms of the Non-Competition Agreement:

- According to the Renewable Energy Law, grid companies are required to provide grid connection services and related technical support, and purchase all of the electricity generated from renewable energy projects that are located in the areas covered by the grid company within the guaranteed purchase scope. In addition, the PRC government regulates the on-grid tariffs for wind power plants. In light of the above, our Directors are of the view that there is no competition between wind power projects in the PRC, even if they are located within the same province in terms of grid connection, electricity sales and on-grid tariff, due to the aforementioned legal requirements.

However, while the PRC government has repeatedly reaffirmed its intention to continue and strengthen the support to the wind power industry, and our Directors are not aware of any indication of potential changes to the existing policies and regulations favorable to wind power businesses, we cannot assure you that the PRC government will not change the favorable policies and regulations at any time. For risk associated with any potential changes to the existing favorable policies and regulations applicable to the wind power industry and the adverse impact relating thereto, please see the section entitled "Risk Factors – Risks Relating to the Clean Energy Industry – Our clean energy business depends on support from PRC government's policies and regulations" for more details.

- Although the mandatory purchase obligation may in theory prevent wind power companies from competing with each other, wind power plants in certain regions of PRC sometimes experience dispatch problems due to transmission capacity limitation of local power grids. Please see the section headed "Risk Factors – Risks Relating to Our Wind Power Business – We rely on local grid companies for grid connection and electricity transmission" for more details. As such, after completion of the wind power plants owned by Huadian's unlisted subsidiaries, electricity transmission limitation may have certain potential impact on the competition relationship between our Group's and Huadian Group's wind power businesses in overlapping provinces:

(1) Yunnan Province:

Our Group owns one advanced pipeline project and three intermediate pipeline projects in Yunnan Province, none of which have commenced construction as of the Latest Practicable Date. The estimated total installed capacity of these projects is 193.5 MW. After completion of Huadian Nujiang Wind Power Project, its wind power plants will have 49.5 MW of installed capacity. Hence the impact of the potential dispatch problem on the competition between Huadian Nujiang Wind Power Project and the wind power businesses of our Group in Yunnan province, even if it were to materialize, is expected to be limited.

(2) Inner Mongolia:

Wind power plants in Inner Mongolia sometimes experience dispatch problem. However, compared to our Group's wind power business in Inner Mongolia, Huadian Inner Mongolia Wind Power Project is much smaller in scale. As of December 31, 2011, our Group's wind power plants in Inner Mongolia had 722.8 MW of installed capacity in operation and an additional capacity of 447.5 MW of our Group's wind power projects is expected to be added to our capacity after our wind power projects under construction in Inner Mongolia become fully operational by the end of 2012. After completion of Huadian Inner Mongolia Wind Power Project, its wind power plants will have 49.5 MW of installed capacity. Hence the impact of the potential dispatch problem on the competition between Huadian Inner Mongolia Wind Power Project and the wind power businesses of our Group in Inner Mongolia, even if it were to materialize, is expected to be limited.

Moreover, the competition to dispatch generated electricity generally exists among all the wind power plants located in the area covered by the same local power grid, rather than between certain specific wind power plants. In the event that the generating capacity by the existing wind power plants exceeds the dispatch capacity of such local power grid, there is certain possibility that the local power grid will constrain the dispatch of electricity generated by all the wind power plants in such area. Under such circumstance, the local power grid will inform such wind power plants from time to time that all of them shall reduce their generated electricity to a similar extent. Accordingly, no single wind power plant will be affected disproportionately.

In view of the above, our Directors believe that even though there is some degree of potential competition between Huadian Group and us with respect to the wind power plants in Yunnan province and Inner Mongolia, the competition, even if it were to materialize, is limited to us.

Our Group acquired the current wind power projects owned by Huadian New Energy through the Reorganization. Huadian Inner Mongolia Wind Power Project and Huadian Nujiang Wind Power Project were not owned by Huadian New Energy, therefore, they were not included as part of our Group's assets. Notwithstanding the plan for the Huadian Group to continue to operate these two wind power projects, we have been closely monitoring the development of these two projects. In particular, it is noted that the two wind power projects owned by Huadian Group through Huadian's unlisted subsidiaries are still under construction and are in the process of obtaining land use rights from relevant regulatory authorities. In addition, as the first wind-solar hybrid power electricity supply project in Inner Mongolia, Huadian Inner Mongolia Wind Power Project is an experimental project. Compared with wind power projects currently operated or constructed by the Group, the technical, operational and financial parameters of this experimental project have not been generally accepted by its industry. It faces a greater extent of uncertainty with respect to the future performance and financial merits when compared with the Group's wind power projects. Our Directors are of the view that the financial merits of these retained wind power projects are uncertain, and the inclusion of these two wind power projects into our Group prior to the completion of the Global Offering is not in the best interest of us and our Shareholders as a whole.

Nonetheless, Huadian undertakes under the Non-Competition Agreement that, our Group has the Option for Acquisition and Pre-emptive Right to acquire these two wind power projects during the term of the Non-Competition Agreement, and we may consider to purchase these two wind power projects within two years after the Listing of our Group on the Stock Exchange, when their land use rights from relevant regulatory authorities are obtained, and subject to compliance with applicable laws, regulations and rules (including, but not limited to, the Hong Kong Listing Rules). Please see "– Non-Competition Agreement and Undertakings" in this section for details of the Non-Competition Agreement. As of the Latest Practicable Date, Huadian has agreed in principle to sell Huadian Nujiang Wind Power Project to our Group and such disposal has been submitted to other shareholders of Huadian Nujiang River Hydropower Development Co., Ltd. for consideration.

Coal-fired Power Business

Huadian, through its unlisted subsidiaries, holds, and will continue to hold, after the Global Offering, various coal-fired power businesses located throughout the PRC, outside Fujian province (except Kemen II). All the coal-fired power plant that we own, develop and operate are located in Fujian province.

Relationship between Kemen II and Us

Set out below is a table summarizing Kemen II as of the Latest Practicable Date:

Project Company	Total Capacity	Location	Status
	(in MW)		
Kemen II	1,200	Fujian	In operation

Huadian Fuxin Energy Co., Ltd. transferred its 100% equity interest in Kemen II to Huadian in January 2011 for a cash consideration of RMB206.5 million. On the date of disposal, the carrying amount of net assets of Kemen II was RMB142.3 million. We recorded a profit of approximately RMB64.2 million from this transaction. The consideration was determined with reference to an independent valuation report. The difference between the consideration received and the carrying amount of net assets of Kemen II was recorded as other net income.

During the years ended December 31, 2009, 2010 and 2011, the unaudited revenue of Kemen II was approximately RMB1.6 billion, RMB1.4 billion and RMB2.7 billion, representing approximately 21.8%, 16.7% and 28.1%(1), respectively, of our total revenue. For the year ended December 31, 2009, the net profit of Kemen II was approximately RMB113 million, representing approximately 25.6% of our Group's net profit. Kemen II recorded unaudited losses of approximately RMB121 million and RMB53 million for the two financial years ended December 31, 2010 and 2011, respectively.

(1) Calculated based on the assumption that Kemen II was not disposed of in January 2011.

Our Directors are of the view that the competition between Huadian Group through Kemen II and us is limited for the following reasons:

- Historically, Kemen II operated to serve customers in Fujian province. As of the Latest Practicable Date, Kemen II fulfilled all pre-conditions for the final approval from the NDRC, which is the only outstanding PRC regulatory approval for coal-fired power development and generation. Huadian has undertaken to assume all the potential fines and/or penalties in relation to Kemen II's operation without relevant permits and approvals. In order to minimize potential competition between Kemen II and us, Kemen II has entrusted Kemen to operate and manage the businesses of Kemen II in accordance with the entrusted operation agreement, dated January 29, 2011, between Kemen II and Kemen. Please see section headed "Connected Transactions" for more details. Notwithstanding the plan for the Huadian to operate Kemen II, we have been closely monitoring the development of Kemen II. In particular, it is noted that Kemen II is in the process of obtaining final approval from the NDRC. Our Directors are of the view that the inclusion of this business into our Group prior to the completion of the Global Offering is not in the best interest of us and our Shareholders as a whole. Nonetheless, Huadian undertakes under the Non-Competition Agreement that, our Group has the Option for Acquisition and Pre-emptive Right to acquire Kemen II, subject to compliance with applicable requirements under the Listing Rules. We may consider to exercise the option to acquire Kemen II from Huadian after the Listing of our Group on the Stock Exchange, when such option is exercisable (*i.e.*, after Kemen II has obtained the final approval from the NDRC for coal-fired power development and generation), and subject to compliance with applicable laws, regulations and rules (including, but not limited to Hong Kong Listing Rules). Please see "– Non-Competition Agreement and Undertakings" in this section for details of the Non-Competition Agreement.

- In the PRC, on-grid tariffs for coal-fired power are two-fold: (i) the on-grid tariffs regulated by the PRC government for power generation within certain amounts; and (ii) a competitive tariff determined through the competitive bidding process for power generation that exceeds the threshold. The percentage of our revenue derived from the amount of coal-fired power generation subject to the competitive tariff in relation to our total revenue derived from coal-fired power generation for the years ended December 31, 2009, 2010 and 2011 was approximately 0.9%, 0.7% and 0.1%, respectively. Given that the percentage of the revenue derived from coal-fired power generation subject to competitive tariff is minimal compared with that for coal-fired power generation subject to the government regulated tariff, our Directors are of the view that the competition between Kemen II and us is not extreme.

(B) Competing Business by Huadian's Listed Subsidiaries

Huadian currently holds equity interest in four listed companies, namely Qianyuan Power, Huadian International, Huadian Energy and Shenyang Jinshan. These listed subsidiaries are mainly engaged in the hydropower, wind power and coal-fired power businesses.

Our Directors are of the view that there is no competition between Huadian's listed subsidiaries and us in terms of hydropower and coal-fired power businesses for the reason that, as of the Latest Practicable Date, all the hydropower and coal-fired power businesses retained by the listed subsidiaries of Huadian were located outside Fujian province, and all of our Group's hydropower and coal-fired power businesses are located within Fujian province, thus there is no geographic overlap between the hydropower and coal-fired power businesses retained by the listed subsidiaries of Huadian and our Group's hydropower and coal-fired power businesses.

Due to the similar nature of our businesses and common customers, our Directors are of the view that there may be potential competition between Huadian's listed subsidiaries and us with respect to wind power businesses. However, our Directors are of the view that the competition is limited for the following reasons:

- According to the Renewable Energy Law, grid companies are required to provide grid connection services and related technical support, and purchase all of the electricity generated from renewable energy projects that are located in the areas covered by the grid company within the guaranteed purchase scope. In addition, the PRC government regulates the on-grid tariffs for wind power plants. However, in practice, the sale of electricity generated by our Group's wind power projects may be limited by the transmission capacity of the local power grids. Please see the section headed "Risk Factors – Risks Relating to Our Wind Power Business – We rely on local grid companies for grid connection and electricity transmission" of this prospectus for more details. In light of the above, our Directors are of the view that there is no direct competition between wind power projects in operation in the PRC 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.

- Although the mandatory purchase obligation may in theory prevent wind power companies from competing with each other, wind power plants in certain regions of PRC sometimes experience dispatch problems due to transmission capacity limitation of local power grids. Please see the section headed "Risk Factors – Risks Relating to Our Wind Power Business – We rely on local grid companies for grid connection and electricity transmission" of this prospectus for more details. As such, electricity transmission capacity limitation may have certain impact on the competition relationship between Huadian's listed subsidiaries and us with respect to wind power businesses.

  Among the four listed subsidiaries, only Huadian International and Shenyang Jinshan own and operate wind power businesses in the provinces where our Group also owns and operates wind power businesses and where transmission limitation exists:

(1) Huadian International

According to Huadian International 2011 Annual Report, as of December 31, 2011, Huadian International owned and operated wind power businesses in Inner Mongolia (448.5 MW), Hebei province (100.5 MW) and Shandong province (40.5 MW) where our Group also owns and operates wind power businesses. However, our Directors are of the view that the competition between Huadian International and us is limited for the following reasons:

(i) The total installed capacity of our Group's wind power businesses in the overlapping provinces only represents a small portion of the total installed capacity of the respective overlapping provinces:

- In respect of Inner Mongolia: Power plants located in the eastern area of Inner Mongolia and those located in the western area of Inner Mongolia are connected to different local grids. Therefore, there is no competition between power plants located in different areas of Inner Mongolia. As of December 31, 2011, the total installed capacity of Huadian International's wind power plants in Inner Mongolia was 448.5 MW, all of which were located in the eastern area of Inner Mongolia. As of December 31, 2011, the total installed capacity of our Group's wind power plants located in the eastern area of Inner Mongolia was only 49.5 MW in operation and 148.5 MW under construction.

- In respect of Hebei province: As of December 31, 2011, the total installed capacity of Huadian International's wind power plants in Hebei province was 100.5 MW, representing approximately 1.4% of the total installed capacity of the wind power plants in Hebei province. As of December 31, 2011, the total installed capacity of our Group's wind power plants in Hebei Province was 50 MW in operation, representing approximately 0.7% of the total installed capacity of the wind power plants in Hebei province.

- In respect of Shandong province: As of December 31, 2011, the total installed capacity of Huadian International's wind power plants in Shandong province was 40.5 MW, representing approximately 0.9% of the total installed capacity of the wind power plants in Shandong province. As of December 31, 2011, we had no wind power project in Shandong province, either in operation or under construction. We own two advanced pipeline wind power projects in Shandong province, with an estimated total installed capacity of 96.0 MW. Therefore, there is only potential competition between Huadian International and us with respect to wind power business in the Shandong province.

(ii) The competition to dispatch generated electricity generally exists among all the wind power plants located in the area covered by the same local power grid, rather than between certain specific wind power plants. In the event that the generating capacity of the existing wind power plants exceeds the dispatch capacity of such local power grid, there is a certain possibility that the local power grid will constrain the dispatch of electricity generated by all the wind power plants in such area. Under such a circumstance, the local power grid will inform such wind power plants from time to time that all of them shall reduce their generated electricity to a similar extent. Accordingly, no single wind power plant will be affected disproportionately.

(iii) As of December 31, 2011, the total installed capacity of our Group's wind power plants in operation that compete with Huadian International (99.5 MW), represented only a small portion (approximately 4.6%) of the total installed capacity of our Group's wind power plants in operation throughout China (2,171.3 MW).

(iv) As of December 31, 2011, the total installed capacity of our Group's pipeline wind power plants throughout China was 40,054.5 MW, while the total installed capacity of Huadian International's pipeline wind power plants throughout China was only 2,076.5 MW.

Based on the above, our Directors are of the view that the competition between Huadian International and our Group with respect to wind power businesses is limited.

Furthermore, Huadian will not compete with the Group through Huadian International for the following reasons:

- As Huadian International, in which Huadian owns 45.95% of its equity interest, is a company listed on the Stock Exchange and Shanghai Stock Exchange, the operational and investment decisions of Huadian International are made by its directors and management teams. The current board of directors of Huadian International is comprised of 12 directors (two executive directors, six non-executive directors and four independent non-executive directors) and the senior management comprises nine members. Among the 12 directors, only two are executive directors, neither of whom holds any position within Huadian Group, and only four non-executive directors hold positions within Huadian Group. Among the nine senior management, only two of them previously held positions within Huadian Group. Moreover, a director would have to abstain from voting at the board meetings and not be counted in the quorum if he/she is connected with Huadian Group. Therefore, Huadian may not be able to control all the business decisions of Huadian

International. In addition, there is no overlapping in the management team between Huadian International and us. Furthermore, according to the Company Law, a director of a PRC incorporated company shall act in the best interest of all shareholders of the company with respect to the affairs of the company and shall not conduct any act solely with a view to protect the interest of the shareholder who nominated him or her.

- The directors shall also comply with the requirements of the respective rules of stock exchanges, including those relating to equal treatment of shareholders and the operational independence of a listed company, and shall seek independent shareholders' approval on certain matters, in particular those relating to connected party transactions in which the controlling shareholder has a material interest, including decisions on whether or not to inject any business into the Group and whether or not to compete with the Group. Therefore, it is practically unattainable to obtain any undertaking made by Huadian with respect to inclusion of the business of Huadian International into the Company or any non-competition undertaking. For this purpose, the Non-Competition Agreement expressly carves out the compliance of the non-competition undertaking by Huadian with respect to Huadian International.

(2) Shenyang Jinshan

According to Shenyang Jinshan 2011 Annual Report, as of December 31, 2011, Shenyang Jinshan owned and operated wind power businesses in Liaoning province where our Group also owns and operates wind power businesses. However our Directors are of the view that the competition between Shenyang Jinshan and us is limited for the following reasons:

(i) The installed capacity of the wind power plants in operation of our Group only accounts for a small portion of the total installed capacity of the wind power plants in Liaoning province. As of December 31, 2011, the total installed capacity of our Group's wind power plants in operation in Liaoning province was 96.0 MW, representing approximately 1.8% of the total installed capacity of the wind power plants in Liaoning province. As of December 31, 2011, Shenyang Jinshan owned and operated four wind power plants in Liaoning province. Shenyang Jinshan did not disclose the total installed capacity of these four wind power plants in its annual report.

(ii) The competition to dispatch generated electricity generally exists among all the wind power plants located in the area covered by the same local power grid, rather than between certain specific wind power plants. In the event that the generating capacity by the existing wind power plants exceeds the dispatch capacity of such local power grid, there is a certain possibility that the local power grid will constrain the dispatch of electricity generated by all the wind power plants in such area. Under such a circumstance, the local power grid will inform such wind power plants from time to time that all of them shall reduce their generated electricity to a similar extent. Accordingly, no single wind power plant will be affected disproportionately.

(iii) Furthermore, as of December 31, 2011, the total installed capacity of our Group's wind power plants in operation, which competes with Shenyang Jinshan (96.0 MW), represents only a small portion (approximately 4.4%) of the total installed capacity of our Group's wind power plants in operation throughout China (2,171.3 MW).

Based on the above, our Directors are of the view that the competition between Shenyang Jinshan and our Group with respect to wind power businesses is limited.

Other than the above-mentioned wind power businesses as in the overlapping provinces, the Directors have confirmed that as of December 31, 2011, Huadian's listed subsidiaries did not operate any wind power plant in provinces where we also operate wind power plants.

In addition, our Directors believe that Huadian Group would not compete with us through Huadian's listed subsidiaries for the following reasons:

- As Qianyuan Power, Huadian International, Huadian Energy and Shenyang Jinshan are all listed companies, their operational and investment decisions are made by their respective directors and management teams. Moreover, a director would have to abstain from voting at the board meetings and not be counted in the quorum if he/she is connected with their respective controlling shareholder. According to the Company Law, a director of a PRC incorporated company shall act in the best interest of all shareholders of the company with respect to the affairs of the company and shall not conduct any act solely with a view to protecting the interest of the shareholder who nominated him or her. Our directors shall also comply with the requirements of the respective rules of stock exchanges, including those relating to equal treatment of shareholders, and shall seek independent shareholders' approval on certain matters, in particular those in which the controlling shareholder has a material interest.

- As Qianyuan Power, Huadian International, Huadian Energy and Shenyang Jinshan are all listed companies and subject to the listing rules of the relevant stock exchange in respect of the operational independence of listed companies, business decisions shall be made independently from their respective controlling shareholder. Huadian is not able to control all of the business decisions of its listed subsidiaries simply by virtue of its shareholding, including decisions on whether or not to inject any business into our Company and whether or not to compete with us. Therefore, it is practically impossible to obtain any undertaking made by Huadian with respect to inclusion of the business of any of Huadian's listed subsidiaries into the Company or any noncompetition undertaking.

In view of the above, Huadian has not and is not in the position to go through the process of trying to inject the wind power and other clean energy businesses operated by its listed subsidiaries into our Group.

Other Clean Energy Power Projects

Huadian holds and will continue to hold (through its listed subsidiaries and unlisted subsidiaries), after our Listing, interest in various other clean energy power projects (including, but not limited to, distributed energy, nuclear power, solar power and biomass energy projects, collectively, the "Other Clean Energy Power Projects"). However, the Directors believe that Huadian's Other Clean Energy Power Projects do not compete with us for the following reasons:

- According to the Renewable Energy Law, grid companies are required to provide grid connection services and related technical support to, and to purchase all of the electricity generated from renewable energy projects that are located in the areas covered by the grid company within the guaranteed purchase scope. In addition, the PRC government regulates the on-grid tariffs for wind power plants.

- As of December 31, 2011, Huadian International owned and operated one solar power project in Ningxia province with a total installed capacity of 10.0 MW and one biomass energy power project in Anhui province with a total installed capacity of 25.0 MW. Except as disclosed above, as of December 31, 2011, none of the listed subsidiaries of Huadian owned or operated any other clean energy power projects. As of December 31, 2011, our Group did not have any other clean energy power project in operation in Ningxia province or Anhui province. As of December 31, 2011, Huadian, through its unlisted subsidiaries, did not have any other clean energy power project in operation that competes or is likely to compete with us. In light of the above, the Directors are of the view that the Huadian's Other Clean Energy Power Project do not compete with us.

- Furthermore, the consolidated installed capacity of our other clean energy projects accounts for only a minimal portion of the total consolidated installed capacity of all of our power generating projects. For the years ended December 31, 2009, 2010 and 2011, the consolidated installed capacity of our other renewable energy projects accounted for approximately 2.9%, 2.6% and 1.2%, respectively, of the total consolidated installed capacity of all of our power generating projects.

Relationship Between Conventional Energy Power Projects and Clean Energy Power Projects

According to the Renewable Energy Law, grid companies are required to provide grid connection services to, and to purchase all of the electricity generated from the renewable energy projects that are located in the areas covered by the grid companies within the guaranteed purchase scope. Moreover, renewable energy projects enjoy priority in dispatch when comparing with conventional energy projects. Please see the section headed "Industry Overview – Overview of the Global and PRC Clean Energy Industry – The PRC Clean Energy Industry" of this prospectus for details.

In light of the above, our Directors are of the view that Huadian's conventional energy projects do not compete with our Group's wind power and other clean energy projects throughout China, even though they are located in the same province.

DIRECTORS' COMPETING INTERESTS

Other than the position in Huadian held by our Directors, Huang Xianpei and Mao Xishu, which will be further discussed below, our Directors have confirmed that they did 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.

NON-COMPETITION AGREEMENT AND UNDERTAKINGS

Huadian's Non-Competition Undertakings to its Listed Subsidiaries

Huadian entered into a non-competition agreement with Huadian International on February 2, 2012, according to which Huadian undertook that: (i) Huadian International is the platform through which Huadian develops its conventional energy-based electricity generation businesses, (ii) Huadian will inject its non-listed conventional energy-based electricity generation assets into Huadian International within approximate five years when such assets are suitable for injection into a listed company; and (iii) Huadian grants Huadian International the pre-emptive right to acquire conventional energy-based electricity generation projects. Huadian made a further clarification to Huadian International on February 20, 2012, according to which "the non-listed conventional energy-based electricity generation assets owned by Huadian, which Huadian will inject into Huadian International within approximate five years, and the pre-emptive right given by Huadian to Huadian International to acquire conventional energy based electricity generation projects" as mentioned in the previous non-competition agreement, does not cover the conventional energy-based electricity generation projects (including, but not limited to, coal-fired power business and hydropower business) within Fujian province. Furthermore, except for the Group, Huadian and its subsidiaries (both listed subsidiaries and unlisted subsidiaries) will not develop any electricity generation business (including, but not limited to, coal-fired power business and hydropower business) in Fujian province going forward. Huadian International acknowledged its recipient of the clarification above on February 21, 2012.

Huadian entered into the Non-Competition Agreement with us on June 4, 2012, according to which Huadian undertook that: (i) our Group is the sole clean energy platform of Huadian for the ultimate consolidation of its wind power and other clean energy businesses (including, but not limited to, distributed energy, nuclear power, solar power and biomass energy businesses) throughout China and its hydropower business in Fujian province; (ii) Huadian will support the development of our Group's wind power and other clean energy businesses throughout China and our hydropower business in Fujian province on a priority basis and will not give priority to other subsidiaries of Huadian (including its listed subsidiaries) in the development of wind power and other clean energy businesses throughout China and the hydropower business in Fujian province; (iii) Huadian grants our Group the pre-emptive right and acquisition right to acquire the wind power and other clean energy businesses retained by Huadian and its unlisted subsidiaries, and the option for new opportunities to develop wind power and other clean energy business throughout China and hydropower business in Fujian province that Huadian and its unlisted subsidiaries become aware of; and (iv) Huadian will facilitate the consolidation of its wind power and other clean energy businesses 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 Huadian's non-competition undertakings to Huadian International and the non-competition undertakings granted to our Company under the Non-Competition Agreement.

In addition, after reviewing publicly available information relating to Huadian's non-competition undertakings to Huadian International and the relevant documentation, our PRC legal advisers are of the view that the undertakings granted under Huadian's non-competition undertakings to Huadian International do not contradict with the non-competition undertakings granted to our Company under the Non-Competition Agreement.

Non-Competition Agreement

We entered into the Non-Competition Agreement with Huadian on June 4, 2012, under which Huadian agreed not to, and to procure its unlisted subsidiaries not to, compete with us in the clean energy businesses, including hydropower within Fujian province, wind power, distributed energy, nuclear power, solar power and biomass energy businesses throughout China and our coal-fired power business in Fujian province (the "Existing Business") and granted to us options for new business opportunities, options for acquisitions, and preemptive rights. In addition, since the Non-Competition Agreement is not binding on Huadian's listed subsidiaries, these subsidiaries are free to acquire and/or develop businesses that may compete with our business.

Huadian has irrevocably undertaken in the Non-Competition Agreement that, other than the Existing Businesses currently held by Huadian, during the term of the Non-Competition Agreement, it will not, and will also procure its unlisted subsidiaries (other than our Group) not to, in or outside of the PRC, alone or with any other entity, in any form, directly or indirectly, engage in, participate in or assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with the Existing Business.

Notwithstanding the above, the foregoing restrictions do not apply to the holding of securities in a company that engages in any Existing Business and whose securities are listed on any stock exchange, provided that Huadian and/or its subsidiaries hold or control in aggregate less than 10% of the voting power at any general meeting of such company.

Options for New Business Opportunities

Huadian has undertaken in the Non-Competition Agreement that:

(i) during the term of the Non-Competition Agreement, if Huadian or its unlisted subsidiaries (other than our Group) become aware of a new business opportunity in any Existing Business, Huadian will notify us in writing immediately and provide to us all information that is reasonably necessary for us to consider whether or not to engage in such business opportunity (the "Offer Notice"). Huadian is also obligated 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, subject to compliance with the applicable requirements under the Listing Rules; and

(ii) Huadian shall procure its unlisted subsidiaries (other than our Group) to first offer to us any business opportunity in any Existing Business.

If we decide not to take up the new business opportunity for any reason or do not respond to Huadian and/or its subsidiaries within 30 days from receiving the Offer Notice, Huadian or its subsidiaries may operate such new business opportunity at their discretion.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to take up a new business opportunity referred to us by Huadian and/or its subsidiaries. When Huadian and/or its subsidiaries deliver to us the Offer Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before returning to Huadian and/or its subsidiaries within the 30-day period from the date of receiving such Offer Notice. When considering whether or not to exercise the options for a new business opportunity, our independent non-executive Directors will form their views based on a range of factors, including, but not limited to, the power plant's natural resource condition, geological characteristics, construction and grid connection condition, whether in line with our strategy, estimated profitability and investment value (if the estimated rate of return of the project is 10% or more, our independent non-executive Directors will consider to exercise the option), as well as permits and approval requirements.

Options for Acquisitions

In relation to:

(i) any Existing Business currently retained by Huadian through its unlisted subsidiaries and the remaining 12.0% equity interest in Guangzhou University Town Distributed Energy Project; and/or

(ii) any new business opportunity for Existing Business owned by Huadian referred to in the Non-Competition Agreement which has been offered to, but has not been taken up by, us,

Huadian has undertaken to grant us the option, which is exercisable at any time during the term of the Non-Competition Agreement, subject to applicable laws and regulations, to purchase, at one or more times, any equity interest, assets or other interests which form part or all of the businesses as described above, or to operate the businesses as described above by way of, including, but not limited to, management outsourcing, leasing or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited, to Articles of Association and shareholders' agreement), our options for acquisitions shall be subject to such third-party rights. In such case, Huadian will use its best efforts to procure the third party to waive its pre-emptive rights.

Huadian shall procure its unlisted subsidiaries (other than our Group) to comply with the terms in respect of the option granted to us by Huadian above.

The consideration shall be determined following negotiation between the parties under the fair and reasonable principle according to the valuation to be conducted by a third-party professional valuer and the mechanism and procedure in accordance with applicable laws and regulations.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for an acquisition. When considering whether or not to exercise the option for an acquisition, our independent non-executive Directors will form their views based on a range of factors, including, but not limited to, the power plant's natural resource condition, geological characteristics, construction and grid connection condition, whether it is in line with our strategy, estimated profitability and investment value (if the estimated rate of return of the project is 10% or more, our independent non-executive Directors will consider to exercise the option), as well as permits and approval requirements.

Pre-emptive Rights

Huadian has undertaken that, during the term of the Non-Competition Agreement, if it intends to transfer, sell, lease or license or otherwise transfer or permit to use any of the following interests to a third party:

(i) any Existing Business currently retained by Huadian through its unlisted subsidiaries and the remaining 12.0% equity interest in Guangzhou University Town Distributed Energy Project; and/or

(ii) any new business opportunity for Existing Business owned by Huadian referred to in the Non-Competition Agreement which has been offered to, but has not been taken up by, us, Huadian shall notify us by written notice (the "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 us to make a decision. We shall reply to Huadian within 30 days after receiving the Selling Notice from Huadian. Huadian has undertaken that until it receives a reply from the Company, it shall not notify any third party of the intention to transfer, sell, lease or license the interests. If the Company decides not to exercise its pre-emptive rights or if the Company does not reply to Huadian within 30 days after receiving the Selling Notice from Huadian, Huadian is entitled to transfer, sell, lease or license the interests to a third party pursuant to the terms stipulated in the Selling Notice.

Huadian shall procure its unlisted subsidiaries (other than our Group) to comply with the terms in respect of the above pre-emptive rights.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise our pre-emptive rights. When Huadian and/or its subsidiaries deliver to us the Selling Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before reverting to Huadian and/or its subsidiaries within the 30-day period from the date of receiving such Selling Notice. When considering whether or not to exercise our pre-emptive right, our independent non-executive Directors will form their views based on a range of factors, including, but not limited to, the power plant's natural resource condition, geological characteristics, construction and grid connection condition, whether it is in line with our strategy, estimated profitability and investment value (if the estimated rate of return of the project is 10% or more, our independent non-executive Directors will consider to exercise the option), as well as permits and approval requirements.

Huadian's Further Undertaking

Huadian has further undertaken that:

(i) notwithstanding the foregoing, Huadian agrees to sell and we agree to purchase Huadian Nujiang Wind Power Project and Huadian Inner Mongolia Wind Power Project within two years after the Listing, when the land use rights from relevant regulatory authorities are obtained, subject to compliance with applicable laws, regulations and rules (including, but not limited to, the Hong Kong Listing Rules);

(ii) upon the request of our independent non-executive Directors, it will provide all information necessary for our independent non-executive Directors to review the compliance with and enforcement of the Non-Competition Agreement by Huadian and its subsidiaries (other than our Group);

(iii) it agrees that we disclose the decision made by our independent non-executive Directors related to the compliance with and enforcement of the Non-Competition Agreement and the basis of our independent non-executive Directors' decision (a range of factors, including, but not limited to, the power plant's natural resource condition, geological characteristics, construction and grid connection condition, whether it is in line with our strategy, estimated profitability, investment value as well as permits and approval requirements) in our annual report, or by way of announcement; and

(iv) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Non-Competition Agreement for us to disclose in our annual report.

Our Company will also adopt the following procedures to ensure that the undertakings under the Non-Competition Agreement are observed:

(i) we will provide to our independent non-executive Directors the Offer Notice and Selling Notice (as the case may be) on the new business opportunity referred to us by Huadian or pre-emptive rights within seven days of receipt;

(ii) our independent non-executive Directors will report in our annual report (a) their findings on the compliance by Huadian of the Non-Competition Agreement and (b) any decision made pursuant to the options and pre-emptive rights granted to the Company and the basis of such decision; and

(iii) our Directors consider that our independent non-executive Directors have sufficient experience in assessing whether or not to take up the new business opportunities or exercise our pre-emptive rights. In any event, our independent non-executive Directors may appoint a financial adviser or professional expert to provide advice, at the cost of the Company, in connection with the exercise or non-exercise of the option or pre-emptive rights under the Non-Competition Agreement.

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

(i) Huadian and its subsidiaries (other than our Group), directly and/or indirectly in aggregation, holding less than 30.0% of our total issued share capital; or

(ii) our H Shares no longer being listed on the Stock Exchange.

Our PRC legal advisers are of the view that the Non-Competition Agreement does not violate applicable PRC laws, and the Non-Competition Agreement does not contradict with those prior undertakings which Huadian has given to its listed subsidiaries. Huadian's undertakings pursuant to the Non-Competition Agreement are valid and binding obligations of Huadian under PRC law after the Non-Competition Agreement takes effect, and the agreement may be enforced by us in the courts of the PRC.

Based on: (a) the undertaking by Huadian that it will give priority support to our development of the Existing Business, (b) the legally binding obligations of Huadian as set out in the Non-Competition Agreement and the related grant of the options for business opportunities and acquisitions, as well as the pre-emptive rights, and (c) the information sharing and other mechanisms in place as described above to monitor compliance by Huadian, our Directors are of the view that our Company has taken all appropriate and practicable steps to ensure compliance by Huadian with its obligations under the Non-Competition Agreement.

INDEPENDENCE FROM HUADIAN GROUP

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

Operational Independence

We are in possession of all production and operating facilities and technology relating to our Group's business. Currently, we engage in our Group's Core Business 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 Huadian Group with respect to supplies for our business operations. We have sufficient capital, equipment and employees to operate our business independently from Huadian Group.

We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted protective measures to ensure the enforceability of the Non-Competition Agreement with Huadian. Please see "– Non-Competition Agreement and Undertakings" in this section for details. We have also adopted a set of corporate governance manuals, such as rules of the shareholders' meeting, rules of the board meeting, rules of the supervisory board and rules on the conduct of connected transactions, which are based on relevant laws, rules and regulations.

The Group has entered into certain continuing connected transactions with Huadian, pursuant to which Huadian Group and/or its associates may provide services or commodities to the Group or vice versa. However, the provision of such services and commodities from Huadian Group are on a non-exclusive basis and such services or commodities are readily available from Independent Third Parties or can be readily provided to Independent Third Parties, as appropriate. With respect to the coal shipping service provided by Huadian Group to the Group, as there exists a large number of coal shipping service providers, the Company believes that it can easily find independent coal shipping service providers on the open market. Moreover, the Group intends to increase the procurement of coal shipping services from Independent Third Parties from 2012 onward. Please refer to the "Connected Transactions – Non-exempt Continuing and Connected Transactions – (A) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement – 4. Coal Shipping Service Framework Agreement" in the Prospectus. With respect to the substituting generation purchased by Shaowu Power Plant from Kemen II, historically, Shaowu Power Plant purchased the substituting generation from approximately eight independent coal-fired power plants. The Group will continue to engage approximately six independent coal-fired power plants, and the coal-fired power plants for the substituting generation, including Huadian Group and Independent Third Parties, will be selected through an open market competition process after the Listing. The Group has approximately 11 independent suppliers with respect to the provision of project contracting services and equipment, and the suppliers for project contracting services and equipment to be engaged by the Group, including Huadian Group and Independent Third Parties, will be determined through a bidding process. Moreover, our Directors believe there is a fully competitive market for such services and commodities. Thus, our Directors believe that the Company is able to readily find independent suppliers and customers on comparable terms.

We have secured the long-term use of Huadian's trademarks by entering into a trademark licensing agreement with Huadian. Pursuant to the trademark licensing agreement, Huadian has granted us a license to use various trademarks owned by Huadian with a nominal annual royalty of RMB1.0 for an initial term of ten years from the establishment date of our Company as a joint stock limited company. Subject to the class for which Huadian is granted the trademarks, our Group is entitled to use the licensed trademarks in products, services and documents (including, but without limitation to, the listing documents, promotion documents or advertisement). We believe the trademark licensing agreement is fair and reasonable and in the interest of our Shareholders as a whole. Our Directors are of the view that there is no risk for us to use the trademarks during our operations for the following reasons: (1) although the trademarks are not currently registered by the Group, Huadian has undertaken to grant the Group the right to use the trademarks for a term of ten years and such term will be automatically renewed for a further term of three years, and on a repetitive basis as long as Huadian remains the controlling shareholder of the Company; and (2) although the trademarks are licensed to the Group on a non-exclusive basis, all the other licensees are intra-group companies of Huadian Group.

Despite the continuation of the connected transactions, we will be able to function and operate independently from Huadian Group as we do not place undue reliance on Huadian Group in respect of the continuing connected transactions after the Listing.

During the Track Record Period, we purchased a substantial portion of our coal supplies from connected persons of our Company, including Huadian Coal and its subsidiaries, in the ordinary course of business and on normal commercial terms. The purchase value paid by us to connected persons for coal supplies for the years ended December 31, 2009, 2010 and 2011 were approximately RMB2.2 billion, RMB2.5 billion and RMB1.7 billion, representing approximately 82.1%, 94.1% and 33.4%, respectively, of our coal supplies, as measured by purchase value. Going forward, we intend to source our coal supplies from Independent Third Parties. We will be able to operate our coal-fired power business independently because we will be able to purchase a substantial portion of our coal supplies, through readily available third-party coal distributors, from major coal suppliers in China, such as Shenhua Group and ChinaCoal, pursuant to key supply agreements, and the remainder on the open market. Please refer to the "Business – Our Coal-fired Power Business – Coal procurement" in the prospectus for more details.

Based on the above, our Directors are of the view that the Company operates independently from Huadian Group.

Financial Independence

We have our own finance department responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from Huadian Group.

Huadian New Energy, our wholly-owned subsidiary, entered into a trust loan agreement with Zhong Rong International Trust Co., Ltd. (中融國際信託有限公司) ("ZRITC"), under which, ZRITC provided RMB1 billion trust loan to Huadian New Energy for a term of five years commencing from June 12, 2009 and ending on June 11, 2014, and the loan will be fully settled and repaid by Huadian New Energy in one installment on June 11, 2014. Huadian, as the guarantor, entered into a guarantee agreement (together with the trust loan agreement, the "Trust Loan Agreement") with ZRITC in relation to Huadian New Energy's obligations under the trust loan agreement as borrower (the "Guarantee by Huadian"). Huadian New Energy paid RMB11.52 million to Huadian as a one-time guarantee fee. We do not propose to discharge the Guarantee by Huadian prior to the Listing because the early discharge of the Guarantee by Huadian would amount to a breach by us to the Trust Loan Agreement, which would trigger renegotiation with ZRITC and would be an unduly burdensome and cost-ineffective exercise for us. As of December 31, 2011, the outstanding loan was RMB1.0 billion, representing approximately 4.61% of our long-term borrowings (approximately RMB21.7 billion in total), and our unutilized banking facility amounted to approximately RMB15.5 billion, which is substantially higher than the RMB1.0 billion trust loan. On December 14, 2011, Huadian New Energy entered into a letter of intent with Beijing Rural Commercial Bank, pursuant to which Beijing Rural Commercial Bank agreed to provide Huadian New Energy with a banking facility of RMB1.0 billion without guarantee to be provided by any Shareholder or any other party, which can be used as a replacement of the trust loan. Given that our Company has the ability to obtain financing independently and that the size of the trust loan is not significant for our business, the Directors are of the view that the Guarantee by Huadian does not affect our financial independence. Please see the section headed "Connected Transactions – Exempt Connected Transactions" in this prospectus for further details.

Except for the transaction above, we have settled all amounts due to Huadian Group of a non-trade nature and released all guarantees provided to us by Huadian Group prior to the Listing.

As of the Latest Practicable Date, the Group did not and has no existing plan to participate in Huadian Group's cash surplus and pooling arrangement. The Group is unable to exclude the possibility that it will participate in Huadian Group's cash surplus and pooling arrangement in the ordinary course of its business after the Listing depending on the then business development needs and the financial condition of the Group. In case the Group decided to participate in Huadian Group's cash surplus and pooling arrangement after the Listing, we will ensure that such transactions will be on normal commercial terms and that the interest rates will be comparable to the interest rates by commercial banks in the PRC during the same periods;

and we will further undertake to fully comply with applicable laws, regulations and rules, including the Listing Rules (including, but not limited to, the rules governing notifiable transactions and connected transactions).

Our Directors are of the view that our Group is capable of obtaining financing from third parties without relying on any guarantee or security to be provided by Huadian Group or other connected persons. Therefore, we operate independently from Huadian Group from a financial perspective.

Management Independence

Upon listing, our Board of Directors will consist of nine directors. Mr. Huang Xianpei, Mr. Mao Xishu and Mr. Wang Xuxiang will continue to hold positions with Huadian Group after the Listing.

Mr. Huang Xianpei, our Chairman and executive Director, also holds a senior position in Huadian. Mr. Huang Xianpei's title as Assistant to the General Manager in Huadian is a title which represents his seniority and conforms to our internal human resources policy. Mr. Huang has no direct involvement in Huadian's corporate affairs, does not attend any senior management meetings of Huadian nor receives any remuneration from Huadian. Mr. Huang has been able to execute his office faithfully and diligently in our Company without interference from his senior position in Huadian. Upon the listing of the Company, Mr. Huang will continue to devote 100.0% of his time and effort to the Group.

Mr. Huang Shaoxiong, our executive Director, also serves as the president and member of the party committee of Fujian branch of Huadian. However, Mr. Huang Shaoxiong will discontinue to hold positions in Huadian Group upon the Listing and will continue to devote full time and effort to our Group.

Mr. Mao Xishu, our non-executive Director, also holds and will continue to hold positions in Huadian Group after the Listing. However, since he is not an executive director of our Company, and therefore not responsible for our day-to-day operation and management, we believe such overlapping will not affect our management independence.

Mr. Wang Xuxiang, our non-executive Director, also holds and will continue to hold positions in Huadian Group (including serving as a director of Huadian Energy and Shenyang Jinshan) after the Listing. However, Huadian Energy only focuses on the development of coal-fired power plants in the northeast of China, with no competition with our Group. Shenyang Jinshan mainly focuses on the development of coal-fired power plants in Liaoning province, with only a small portion of wind power business in provinces where the Group also operates wind power business. The competition between Shenyang Jinshan and us is limited, thus the effect of such overlapping on our management independence is limited. Furthermore, Mr. Wang is not an executive director and therefore is not responsible for our day-to-day operation and management. In light of the above, we believe such overlapping will not affect our management independence.

None of our independent non-executive Directors has any relationship with Huadian Group. Therefore, there are sufficient non-overlapping directors who are independent and have relevant experience to allow the proper functioning of the Board.

Upon listing, none of our senior management will be part of the senior manager of Huadian Group and none of our supervisors is a supervisor of Huadian Group.

We believe that our Directors and senior management will be able to perform their roles in the Company independently and the Company is capable of managing its business independently of Huadian Group after the Listing 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 a conflict of interest, such as a consideration of resolutions in relation to transactions with Huadian Group, the relevant Director who is connected with Huadian Group shall abstain from voting and not be counted in the quorum. Further, when considering connected transactions, our independent non-executive Directors will review the relevant transactions;

- the day-to-day operation of the Company is managed by our senior management, none of whom holds any senior position in Huadian Group, and are our full-time employees;

- none of our Directors or members of the senior management has any shareholding interest in Huadian Group;

- each of our Directors is aware of his or her fiduciary duties as a Director, which requires, among other things, that he or she acts for the benefit and in the best interests of us; and

- we have appointed three independent non-executive Directors, comprising one-third of the total Board members, to provide a balance of the number of interested and independent Directors with a view to promote the interests of the Company and our Shareholders as a whole.

Based on the above, our Directors believe that the Company is capable of maintaining management independence from Huadian Group.