



Flash Note: Huaneng Power (00902 HK)

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To Issue 365 million New H Shares via Private Placement, with Issue Price of HK\$8.60, Representing 8.3% Discount to the Last Closing Price

后 3.65 H) 8.60) 8.3%

- **Huaneng Power ('the Company') announced that it will issue 365 million new H shares via private placement, with issue price of HK\$8.60 per share and the net proceed will amount to HK\$3.094 billion.** The issuing share number represents 10.27% of current issued H shares and 2.60% of current total outstanding shares. After the issuing, the share holding of Huaneng Group will decrease from 51.31% to 50.01%.
- **The private placement price represents an 8.3% discount to the last closing price of the H-share (HK\$9.38) and a 2.6% premium to the last closing price of A-shares (RMB6.62).** After this placement we think the Company will be able to lower its interest bearing debt level, interest expenses as well as total debt to asset ratio. Based on our estimates, the net gearing ratio of the Company will decrease from 218% in 1H14 to 187% by the end of 2014, and the total debt to asset ratio will also decrease from 70.4% to 69.7%. After the placement, the change of EPS for FY14 will be minimal, while the EPS for FY15/16 is expected to slightly decrease due to the dilution effect.
- **The placement will have a negative impact on the H share price of the Company in the near term, but reducing the gearing ratio of the Company will facilitate further expansion.** We maintain "Accumulate" rating for the Company and maintain our TP at HK\$10.25.

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Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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