

SWS Research Co. Ltd

99 East Nanjing Road, Shanghai | +86 21 2329 7818

www.swsresearch.com



Utilities | Company Research

Bringing China to the World

24 November 2014

BUY
Upgrade

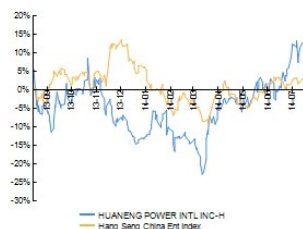
利率调降，业绩提升

华能国际电力股份(902:HK)

Market Data: Nov, 21

Closing Price (HK\$)	8.64
Price Target (HK\$)	10.69
HSCEI	10,447
HSCCI	4,353
52-week High/Low (HK\$)	9.38/6.12
Market Cap (US\$m)	15,663
Market Cap (HK\$m)	121,435
Shares Outstanding (m)	14,420
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

Daniel Huang

A0230513030001

BDQ227

huangzhe@swsresearch.com

Related Reports

"**HUANENG POWER INTL INC-H (902:HK)—Assets acquisition**" Nov 7, 2014

"**HUANENG POWER INTL INC-H (902:HK)—New growth**" Oct 13, 2014

Financial summary and valuation

	2012	2013	2014E	2015E	2016E
Revenue (Rmbm)	133,966.66	133,832.87	130,619.20	135,368.77	142,354.93
YoY (%)	0.41	(0.10)	(2.40)	3.64	5.16
Net income (Rmbm)	6,366.42	12,900.02	12,818.54	15,239.88	17,958.17
YoY (%)	439.07	102.63	(0.63)	18.89	17.84
EPS (Rmb)	0.39	0.74	0.77	0.92	1.01
Diluted EPS (Rmb)	0.39	0.74	0.77	0.92	1.01
ROE (%)	9.65	17.16	16.53	18.15	19.50
Debt/asset (%)	74.54	71.33	68.95	66.70	64.22
Dividend Yield (%)	2.82	5.10	5.97	7.10	8.36
PE (x)	18.98	10.04	9.67	8.14	7.38
PB (x)	1.59	1.39	1.38	1.28	1.17
EV/Ebitda (x)	6.21	5.35	5.00	4.58	4.16

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

投资要点:

央行宣布降息，1年期存贷款利率分别下降25个基点和40个基点。基于较高的负债率，华能国际将受益此次降息。

我们测算贷款利率每下降25个基点，华能国际14年的净利润将增长1.8%。主要由于公司经财务杠杆高达195%，公司的盈利相对于利率变动弹性十足。

利好频现。本月28日公司小股东将针对前期公布的从母公司收购资产进行表决。注入资产装机容量达9.5GW（其中包括7.2GW现役机组和2.3GW在建机组）。由于收购资产估值在13年1.0倍PB和4.8倍PE，我们认为股东会通过收购的决议机会较大。因此15年装机将额外再增长13.3%。

上调至“买入”。我们代入降息对盈利的积极影响，提升15年净利润1.9%至156亿，提升16年净利润1.6%至183亿。由于降息对今年财务支出影响较小，我们微调14年盈利0.2%至129亿。14-16年新的每股盈利分别为0.77/0.94/1.03。我们上调目标价至HK\$10.69，目标价对应现股价有24%的涨幅，我们上调评级至买入。

The company does not hold any equities or derivatives of the listed company mentioned in this report ("target"), but then we shall provide financial advisory services subject to the relevant laws and regulations. Any affiliates of the company may hold equities of the target, which may exceed 1 percent of issued shares subject to the relevant laws and regulations. The company may also provide investment banking services to the target. The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for relevant disclosure materials or log into www.swsresearch.com under disclosure column for further information. The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

Investment Highlights:

Interest rate cuts. The People's Bank of China (PBoC) cut the benchmark interest rate for one-year deposits by 25bps and the one-year lending rate by 40bps. Given Huaneng Power's high gearing ratio, we believe the company will be the main beneficiary of the rate cuts in the independent power producer (IPP) sector.

Positive impact. We calculate a boost to Huaneng's earnings of 1.8% from the 25bps interest rate cut. Its gearing, at 195% by end-3Q14, made its earnings sensitive to the rate cuts.

More catalysts to come. On 28 November, shareholders will vote to approve its acquisition of assets from its parent company, with total capacity of 9.5GW (7.2GW already in operation and 2.3GW in pipeline capacity). We believe that the price at which the assets are offered, representing 1.0x 13A PB and 4.8x 13A PE, is attractive and will win approval from a majority of shareholders. As such, we forecast capacity growth in 15E may be as much as 13.3% YoY.

Upgrade to BUY. To factor in the upside to the company's earnings from the rate cuts, we revise up our 14E earnings forecast by 0.2% to Rmb12.9bn, 15E earnings up by 1.9% to Rmb15.6bn, and 16E earnings by 1.6% to Rmb18.3bn. We maintain our EPS forecast of Rmb0.77 in 14E, raise our forecast from Rmb0.92 to Rmb0.94 in 15E and from Rmb1.01 to Rmb1.03 in 16E. We revise up our target price from HK\$10.53 to HK\$10.69. With 24% upside, we upgrade our recommendation from Outperform to BUY.

Interest rate cuts. The People's Bank of China (PBOC), China's central bank Friday cut the benchmark interest rate for one-year deposits by 25 basis points (bps) and the one-year lending rate by 40 bps from Saturday. Given that HPI's high gearing ratio, we believe it could among the biggest beneficiary of the rate cuts.

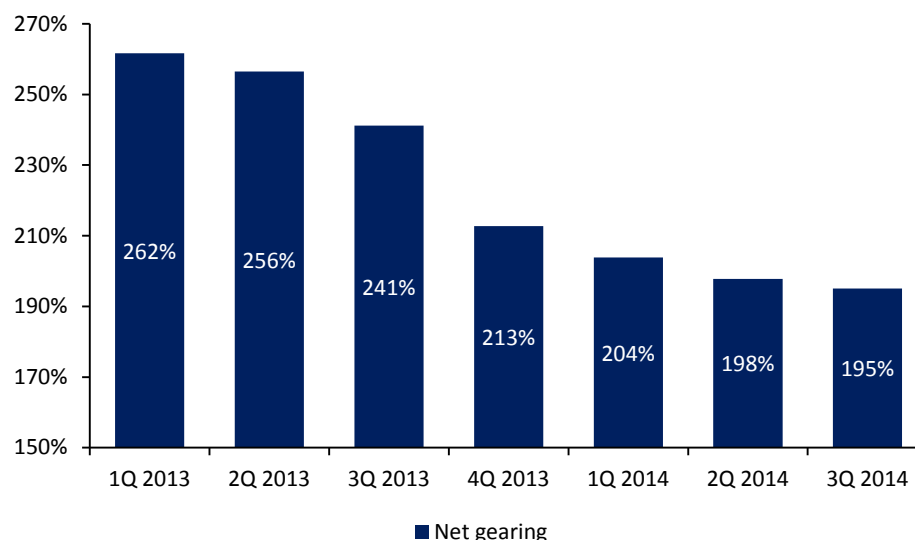
Positive impact. We estimate that 25 bps interest rate cuts could increase HPI's earnings by 1.8%. Its higher gearing ratio (195% by 3Q14) made its earnings are sensitive to the rate cuts.

Figure 1: HPI's earnings sensitivity

HPI FY14E NP sensitivity	2014E
Base case NP (Rmbm)	12,869
Case 1. net profit change with extra 1% decrease in average fuel cost YoY (%)	13,311 3.8%
Case 2. net profit change with extra 1% rise in utilization hours YoY (%)	13,215 3.0%
Case 3. net profit change with extra 1% rise in on-grid tariff YoY (%)	13,662 6.5%
Case 4. net profit change with extra 25bp interest rate cut YoY (%)	13,063 1.8%

Source: Company data, SWS Research

Figure 2: HPI's gearing ratio continue to decrease



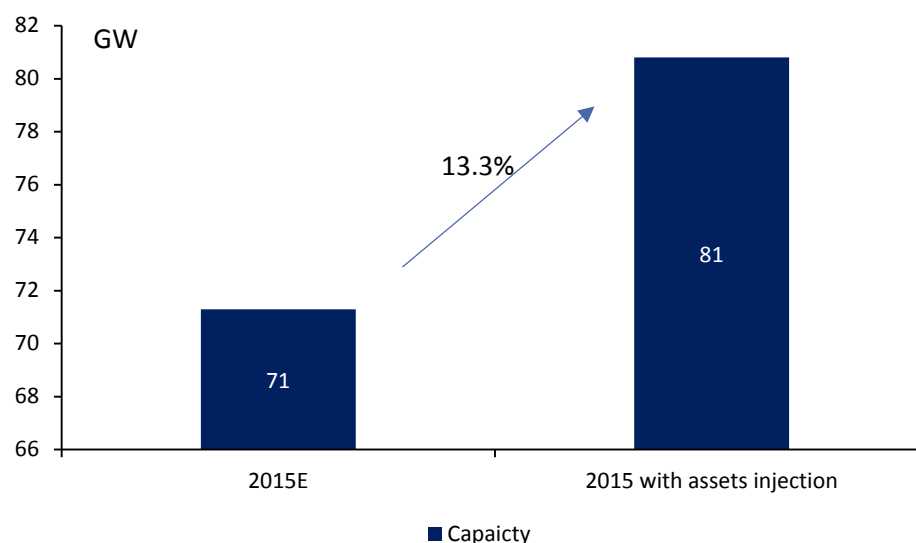
Source: Company data, SWS Research

More catalysts to come. By 28th November 2014, the shareholders are going to vote to approve its acquisition of assets from its parent company, with total capacity amount to 9.5GW (7.2GW operation capacity and 2.3GW pipeline capacity). We believe as these assets were price at 1.0x 13 PB and 4.8x 13 PE, the minority shareholders could vote to approve the acquisition. Therefore the additional growth of capacity in 15E could be 13.3%.

Figure 2: Assets for injection

	Equity	May 2014 (Rmb m)			First 5 moth of 2014 (Rmb m)		2013 (Rmb m)		Capacity (MW)	
		Assets	Liability	Equity	Rev	Profit	Rev	Profit	In operation	In construction
Yingcheng plants	100%	1,144	938	206						400
Wuhan plants	75%	5,088	3,609	1,479	1,765	269	4,493	789	2,460	
Ruijin plants	100%	2,462	2,208	254	527	45	1,352	84	700	
Suzhou plants	53%	618	269	349	202	26	485	48	120	
Hainan plants	92%	9,840	7,059	2,781	2,730	520	6,267	829	2,598	
Chaohu plants	60%	3,030	1,987	1,043	983	114	2,560	237	1,200	
Dalongtan hydro	97%	333	249	84	15	-9	37	41	38	
Anyuan plants	100%	2,345	2,444	-100	76	-48	468	-92	0	1,200
Hualiangting hydro	100%	46	42	4	6	-30	23	0	40	
Jinmen plants	100%	1,798	1,410	388	0	0	0	0	0	700
Total		26,703	20,217	6,486	6,304	886	15,685	1,936	7,155	2,300

Source: Company data, SWS Research

Figure 3: HPI's capacity growth pick after the assets injection


Source: Company data, SWS Research

Upgrade to BUY. We factor in the positive of the rate cuts, and adjust our 15E earnings up by 1.9% to Rmb15.6b, and 16E earnings up by 1.6% to Rmb18.3b. We slightly upward revised 14E earnings by 0.2% to Rmb12.9b. We forecast new EPS of Rmb0.77 for 14E, Rmb0.94 for 15E and Rmb1.03 for 16E. We revised up our target price to HK\$10.69. With 24% upside, we upgrade our recommendation to BUY.

Appendix

Consolidated Cash Flow Statement

Rmbm	2012	2013	2014E	2015E	2016E
ProfitBeforeTaxation	8,877	17,423	17,629	21,348	25,062
DeprAndAmortisation	11,256	11,546	13,292	14,225	15,137
FinanceCost	8,897	7,787	7,610	6,939	6,759
LossesFromInvestments	1	6	0	0	0
ChangeInWorkingCapital	-176	6,778	-1,708	-1,522	-719
Others	-1,928	-3,308	-5,248	-6,310	-7,385
CFFFromOperatingActivities	26,928	40,239	31,575	34,680	38,854
Capex	15,475	17,691	14,587	15,117	15,897
OtherCFFFromInvestingActivities	165	-1,363	0	0	0
CFFFromInvestingActivities	-15,310	-19,054	-14,587	-15,117	-15,897
EquityFinancing	665	868	0	0	0
NetChangeInLiabilities	-681	-10,918	-12,135	-3,101	-3,211
DividendAndInterestPaid	-10,105	-11,782	-12,951	-13,374	-14,551
OtherCFFFromFinancingActivities	304	232	0	0	0
CFFFromFinancingActivities	-9,817	-22,240	-25,087	-16,475	-17,762
NetCashFlow	1,953	-1,164	-8,098	3,088	5,195
FCFF	46,163	64,790	55,498	61,041	68,120
FCFE	36,585	46,085	35,752	51,001	58,151

Consolidated Income Statement

Rmbm	2012	2013	2014E	2015E	2016E
Revenue	133,967	133,833	130,619	135,369	142,355
Power and heat sale	131,937	133,833	130,619	135,369	142,355
Other	2,030	0	0	0	0
CostofSales	83,027	74,852	68,483	68,235	69,402
Power and heat sale	81,367	73,355	67,113	66,870	68,014
Other	1,661	1,497	1,370	1,365	1,388
GrossProfit	50,939	58,981	62,136	67,134	72,953
OtherIncome	984	1,005	813	971	923
Ebitda	37,194	43,239	45,470	48,622	52,935
Ebit	17,098	24,252	24,568	27,458	31,039
FinanceCosts	-9,064	-7,693	-7,610	-6,939	-6,759
ProfitBeforeTax	8,877	17,423	17,629	21,348	25,062
IncomeTaxExpense	-2,510	-4,523	-4,760	-5,764	-6,767
MinorityInterests	854	2,474	1,726	2,090	3,476
ProfitfortheYear	6,366	12,900	12,869	15,584	18,295

Consolidated Balance Sheet

Rmbm	2012	2013	2014E	2015E	2016E
Current Assets	36,086	33,629	25,044	28,561	34,612
Bank Balances And Cash	10,624	9,433	1,243	4,331	9,526
Trade And Other Receivables	15,300	15,562	15,867	15,959	16,663
Inventories	7,022	6,469	5,886	5,610	5,645
Other Current Assets	3,139	2,165	2,047	2,660	2,777
Long Term Investment	17,650	19,790	18,278	16,940	15,760
PPE	177,014	181,415	183,219	184,111	184,871
Intangible And Other Assets	28,351	27,398	23,240	22,916	22,690
Total Assets	259,100	262,233	249,780	252,527	257,933
Current Liabilities	189,044	183,219	168,987	164,974	162,101
Borrowings	167,398	155,800	143,665	140,564	137,353
Trade And Other Payables	19,993	25,321	23,310	22,216	22,353
Other Current Liabilities	1,653	2,098	2,013	2,194	2,394
Long Term Liabilities	4,096	3,821	3,205	3,205	3,206
Total Liabilities	193,140	187,040	172,192	168,179	165,306
Minority Interests	9,830	12,742	14,469	16,559	20,035
Shareholder Equity	0	0	0	0	0
Share Capital	14,055	14,055	14,055	14,055	14,055
Reserves	24,769	23,615	22,607	25,319	28,147
Equity Attributable	17,306	24,780	26,457	28,415	30,389
Total Liabilities And Equity	259,100	262,233	249,780	252,527	257,933

Key Financial Ratios

	2012	2013	2014E	2015E	2016E
Ratios per share (Rmb)					
Earnings per share	0.39	0.74	0.77	0.94	1.03
Operating CF Per Share	0.39	0.74	0.77	0.94	1.03
Dividend Per Share	1.92	2.86	2.19	2.40	2.69
Key Operating Ratios (%)	0.21	0.38	0.45	0.54	0.63
Net Assets Per Share	4.69	5.35	5.38	5.85	6.42
ROIC					
ROE	14.6	18.7	19.9	22.2	24.8
Gross Margin	9.7	17.2	16.6	18.5	19.8
Ebitda Margin	38.0	44.1	47.6	49.6	51.2
Ebit Margin	35.9	40.6	44.9	46.3	47.7
Growth Rate Of Revenue	20.9	26.5	28.9	30.7	32.3
Growth Rate Of Profit	0.4	-0.1	-2.4	3.6	5.2
Debt To Asset Ratio	439.1	102.6	-0.2	21.1	17.4
Turnover Rate Of Net Assets	74.5	71.3	68.9	66.6	64.1
Turnover Rate Of Total Assets	203.1	178.0	168.4	160.5	153.7
Effective Tax Rate	51.7	51.0	52.3	53.6	55.2
Dividend Yield	9.0	12.8	12.6	13.9	14.7
Valuation Ratios (x)	3.06	5.54	6.51	7.88	9.25
PE					
PB	17.5	9.2	8.9	7.3	6.7
EV Sale	1.5	1.3	1.3	1.2	1.1
EV/Ebitda	2.2	2.1	2.1	2.0	1.9

Information Disclosure

The views expressed in this report accurately reflect the personal views of the analyst. The analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analyst, the Company or the group company(ies). A group company(ies) of the Company confirm that they, whether individually or as a group (i) are not involved in any market making activities for any of the listed corporation reviewed; or (ii) do not have any individual employed by or associated with any group company(ies) of the Company serving as an officer of any of the listed corporation reviewed; or (iii) do not have any financial interest in relation to the listed corporation reviewed or (iv) do not, presently or within the last 12 months, have any investment banking relationship with the listed corporation reviewed.

Undertakings of the Analyst

I (We) am (are) conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China and have registered as the Securities Analyst. I hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. I am also responsible for the content and opinions of this report. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

Disclosure with respect to the Company

The company is a qualified securities investment consulting institute approved by China Securities Regulatory Commission with the code number ZX0065. Releasing securities research reports is the basic form of the securities investment consulting services. The company may analyze the values or market trends of securities and related products or other relevant affecting factors, provide investment analysis advice on securities valuation/ investment rating, etc. by issuing securities research reports solely to its clients.

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for the relevant disclosure materials or log into www.swsresearch.com for the analysts' qualifications, the arrangement of the quiet period and the affiliates' shareholdings.

Introduction of Share Investment Rating

Security Investment Rating :

When measuring the difference between the markup of the security and that of the market's benchmark within six months after the release of this report, we define the terms as follows:

Buy : with a markup more than 20% better than that of the market ;

Outperform : With a markup 5% to 20% better than that of the market ;

Neutral : with a markup less than 5% better or worse than that of the market ;

Underperform : with a markup more than 5% worse than that of the market.

Sell: with a markup more than 20% worse than that of the market.

Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight : Industry performs better than that of the whole market ;

Equal weight : Industry performs about the same as that of the whole market ;

Underweight : Industry performs worse than that of the whole market.

We would like to remind you that different security research institutions adopt different rating terminologies and rating standards. We adopt the relative rating method to recommend the relative weightings of investment. The clients' decisions to buy or sell securities shall be based on their actual situation, such as their portfolio structures and other necessary factors. The clients shall read through the whole report so as to obtain the complete opinions and information and shall not rely solely on the investment ratings to reach a conclusion. The Company employs its own industry classification system. The industry classification is available at our sales personnel if you are interested.

HSCEI is the benchmark employed in this report.

Disclaimer

This report is to be used solely by the clients of SWS Research Co., Ltd. (hereinafter referred to as the "Company"). The Company will not deem any other person as its client notwithstanding his receipt of this report.

This report is based on public information, however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials, tools, opinions and speculations contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any security or other investment instruments.

The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of the research opinions, which are subject to the complete report released on the Company's website (<http://www.swsresearch.com>). The clients may ask for follow-up explanations if they so wish.

The materials, opinions and estimates contained herein only reflect the judgment of the Company on the day this report is released. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. At different periods, the Company may release reports which are inconsistent with the materials, opinions and estimates contained herein.

Save and except as otherwise stipulated in this report, the contactor upon the first page of the report only acts as the liaison who shall not provide any consulting services.

The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on this report. The clients should make investment decisions independently and solely at your own risk. Please be reminded that in any event, the company will not share gains or losses of any securities investment with the clients. Whether written or oral, any commitment to share gains or losses of securities investment is invalid. The investment and services referred to herein may not be suitable for certain clients and shall not constitute personal advice for individual clients. The Company does not ensure that this report fully takes into consideration of the particular investment objectives, financial situations or needs of individual clients. The Company strongly suggests the clients to consider themselves whether the opinions or suggestions herein are suitable for the clients' particular situations; and to consult an independent investment consultant if necessary.

Under no circumstances shall the information contained herein or the opinions expressed herein forms an investment recommendation to anyone. Under no circumstances shall the Company be held responsible for any loss caused by the use of any contents herein by anyone. Please be particularly cautious to the risks and exposures of the market via investment.

Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report which shall be treated as non-public information. The Company reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. All the trademarks, service marks and marks used herein are trademarks, service marks or marks of the Company, and no one shall have the right to use them at any circumstances without the prior consent of the Company.

This report may be translated into different languages. The Company does not warrant that the translations are free from errors or discrepancies.

This report is for distribution in Hong Kong only to persons who fall within the definition of professional investors whether under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or the Securities and Futures (Professional Investor) Rules (Chapter 571D of the laws of the Hong Kong under the SFO).

This report is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc") of the Order (All such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other Persons who are not Relevant Persons must not act or rely upon this document or any of its contents.

Disclaimer

This report was prepared, approved, published and distributed by the SWS Research Co., Ltd located outside of the United States (a "non-US Group Company"). This report is distributed in the U.S. by Enclave Capital LLC, a U.S. registered broker dealer, on behalf of SWS Research Co., Ltd only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital LLC (19 West 44th Street, suite 1700, New York, NY 10036).

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

The information has been compiled or arrived from sources believed to be reliable and in good faith, but no representation or warranty, express or implied is made as to their accuracy, completeness or correctness. SWS Research Co., Ltd has not verified the factual accuracy, assumptions, calculations or completeness of the information. Accordingly, SWS Research Co., Ltd accepts no liability whatsoever for any direct or consequential loss or damage arising from (i) the use of this communication (ii) reliance of any information contained herein, (iii) any error, omission or inaccuracy in any such Information or (iv) any action resulting there from. SWS Research Co., Ltd provides the information for the purpose of the intended recipient's analysis and review. Accordingly you are advised to verify the factual accuracy, assumptions, calculations or completeness of the information.

Analyst Certification

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Important US Regulatory Disclosures on Subject Companies

This material was produced by SWS Research Co., Ltd solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the United States of America by Enclave Capital LLC and elsewhere in the world by SWS Research Co., Ltd or an authorized affiliate of SWS Research Co., Ltd This document does not constitute an offer of, or an invitation by or on behalf of SWS Research Co., Ltd or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which SWS Research Co., Ltd or its Affiliates consider to be reliable. None of SWS Research Co., Ltd Limited accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

1. SWS Research Co., Ltd or its Affiliates have not recently been the beneficial owners of 1% or more of the securities mentioned in this report.
2. SWS Research Co., Ltd or its Affiliates have not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. SWS Research Co., Ltd Limited or its Affiliates have not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more person of SWS Research Co., Ltd or its affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon either on their own account or on behalf of their clients.
5. As of the publication of this report Enclave Capital LLC, does not make a market in the subject securities.
6. SWS Research Co., Ltd or its Affiliates may, to the extent permitted by law, act upon or use the above material or the conclusions stated above or the research or analysis on which they are based before the material is published to recipients and from time to time provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

Distribution in Singapore

If distributed in Singapore, this report is meant only for Accredited Investors and Institutional Investors as defined under Section 4A of the Securities and Futures Act of Singapore. If you are not an Accredited Investor or an Institutional Investor, you shall ignore the report and its contents. The Singapore recipients of the report are to contact the Singapore office of ShenYinWanguo Singapore Private Limited at 65-6323-5208, or 65-6323-5209 in respect of any matters arising from, or in connection with, the report.