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If you have sold or transferred all your shares in Huaneng Power International, Inc., you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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華能國際電力股份有限公司

HUANENG POWER INTERNATIONAL, INC.

(a Sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 902)

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE LETTER OF SUPPORT**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

A letter from the board of Directors of Huaneng Power International, Inc. is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee of Huaneng Power International, Inc. is set out on pages 19 to 20 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders of Huaneng Power International, Inc. is set out on pages 21 to 33 of this circular.

A notice convening the EGM to be held at 9:00 a.m on 5 December 2023 at the headquarters of the Company at Conference Room A102, Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, the PRC together with the relevant reply slip and proxy form had been issued to H Shareholders separately.

If you intend to attend the EGM, you should complete and return the reply slip in accordance with the instructions printed thereon as soon as possible.

Whether or not you are able to attend, you should complete and return the form of proxy in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not later than 24 hours before the time appointed for holding such meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

20 October 2023

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DEFINITIONS

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

“ABS”	the asset-backed securities to be issued on the Shanghai Stock Exchange, which will be initiated and established by the Manager, backed by the Underlying Assets and to be subscribed by eligible investors
“A Shares”	domestic tradable shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“Capital Support”	upon the occurrence of the Capital Support Event, the obligation of Shandong Company to provide funding to Laiwu Project Company under the Operation Support Agreement
“Capital Support Event”	the event where Laiwu Project Company requires external funding to support its business operations or financial needs
“Cash Interchange Obligation”	upon the occurrence of the Cash Interchange Obligation Event, the obligation of Shandong Company, under the Partnership Agreement, to pay the Partnership in an amount equal to the surplus of the appraised value of non-cash assets of the Partnership over the capital contribution by Shandong Company
“Cash Interchange Obligation Event”	as further described in “II. Letter of Support – Background – Cash Interchange Obligation” in the Letter from the Board
“Category A LP”	the category A limited partner of the Partnership
“Category B LP”	the category B limited partner of the Partnership, being Shandong Company
“Company”	Huaneng Power International, Inc., a sino-foreign joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules

DEFINITIONS

“connected subsidiary(ies)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Director(s)”	the director(s) (including independent non-executive director(s)) of the Company
“Disposal Distribution”	as further described in “II. Letter of Support – Background – Distributions under the Partnership” in the Letter from the Board
“Distribution(s)”	as further described in “II. Letter of Support – Background – Distributions under the Partnership” in the Letter from the Board
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 9:00 a.m on 5 December 2023 at Conference Room A102, Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, the PRC to consider and approve (among other things) the proposal regarding the continuing connected transactions contemplated under the Letter of Support
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to (i) to the Company pursuant to the Rule 14A.52 of the Hong Kong Listing Rules; and (ii) the Independent Board Committee and the Independent Shareholders in respect of the Letter of Support and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“HIPDC”	Huaneng International Power Development Corporation
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Huadian Jintai”	Huadian Jintai (Beijing) Investment Fund Management Co., Ltd* (華電金泰(北京)投資基金管理有限公司), an Independent Third Party

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“Huaneng Finance”	China Huaneng Finance Corporation Limited
“Huaneng Group”	China Huaneng Group Co., Ltd. (中國華能集團有限公司), a controlling shareholder of the Company
“Huaneng HK”	China Hua Neng Group Hong Kong Limited
“Huaneng Treasury”	China Huaneng Group Treasury Management (Hong Kong) Limited
“Independent Board Committee”	a committee of the Board established for the purpose of considering the Letter of Support and the transactions contemplated thereunder, comprising Mr. Xu Mengzhou, Mr. Liu Jizhen, Mr. Xu Haifeng, Mr. Zhang Xianzhi and Mr. Xia Qing, all being the independent non-executive Directors of the Company
“Independent Shareholders”	Shareholders other than Huaneng Group and their respective associates, and who are not involved in, or interested in the transactions contemplated under the Letter of Support
“Independent Third Party”	an individual or company who or which is to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company (as defined under the Listing Rules)
“Laiwu Project”	an electricity power plant located in Laiwu, Shandong Province, the PRC, being the underlying infrastructure assets of the ABS
“Laiwu Project Company”	Huaneng Laiwu Power Generation Co., Ltd* (華能萊蕪發電有限公司), a subsidiary of the Company as at the Latest Practicable Date
“Laiwu Shareholder Loan”	the shareholder loan that shall be extended from the Partnership to Laiwu Project Company under the ABS scheme
“Latest Practicable Date”	17 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Letter of Support”	the letter of support executed by the Company Support in favour of Shandong Company, pursuant to which the Company shall provide Liquidity Support to Shandong Company
“Liquidation Distribution”	as further described in “II. Letter of Support – Background – Distributions under the Partnership” in the Letter from the Board
“Liquidity Support”	the liquidity support to be provided by the Company to Shandong Company under the Letter of Support

DEFINITIONS

“Manager”	China Securities Co., Ltd (中信建投證券股份有限公司), being the manager of the ABS
“Notice of EGM”	the notice for convening the EGM dated 20 October 2023, which has been issued to the H Shareholders separately and a copy of which can be downloaded from the Company’s website (www.hpi.com.cn) and the website of the Stock Exchange (www.hkex.com.hk)
“Operation Support Agreement”	the operation support agreement to be entered into among Shandong Company, the Partnership, Laiwu Project Company and the Manager, pursuant to which Shandong Company shall provide Operation Support to Laiwu Project Company
“Operation Support”	Capital Support and Performance Support
“Partnership”	a partnership enterprise to be established in the PRC by: (i) Silk Road International as the general partner, holding approximately 16% interest; (ii) Shandong Company as the Category B LP, holding approximately 4% interest; and (iii) Huadian Jintai as the Category A LP, holding approximately 80% interest
“Partnership Agreement”	the partnership agreement to be entered into among Silk Road International, Shandong Company and Huadian Jintai, in respect of the establishment of the Partnership
“Performance Support”	upon the occurrence of the Performance Support Event, the obligation of Shandong Company to provide funding to Laiwu Project Company under the Operation Support Agreement
“Performance Support Event”	the event where: (i) the partners of the Partnership resolve to conduct a distribution; and (ii) where, upon audit being conducted against the escrow bank account of Laiwu Project Company, the balance in the escrow bank account is found to be insufficient to enable Laiwu Project Company to comply with all of its external payment obligations
“PRC” or “China”	the People’s Republic of China
“Qilu Caijin”	Qilu Caijin (Shandong) Economic Development Co., Ltd* (齊魯財金(山東)經濟發展有限公司), an Independent Third Party
“Revenue Distribution”	as further described in “II. Letter of Support – Background – Distributions under the Partnership” in the Letter from the Board
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Company”	Huaneng Shandong Power Generation Co., Ltd.* (華能山東發電有限公司), a subsidiary of the Company which was held as to 80% by the Company and 20% by Huaneng Group as at the Latest Practicable Date, and the Category B LP of the Partnership
“Shareholder(s)”	A Shareholder(s) and H Shareholder(s)
“Silk Road International”	Shandong Silk Road International Electricity Co., Ltd* (山東絲路國際電力有限公司) a wholly-owned subsidiary of Shandong Company and a subsidiary of the Company as at the Latest Practicable Date
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Underlying Assets”	includes, principally, the 92.9% equity interest in Laiwu Project Company, the rights under the Laiwu Shareholder Loan, and the power plant owned and operated by Laiwu Project Company
“%”	per cent

* *For identification purposes only*

LETTER FROM THE BOARD



華能國際電力股份有限公司

HUANENG POWER INTERNATIONAL, INC.

(a Sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 902)

Executive Directors:

Wang Kui

Non-executive Directors:

Huang Jian

Lu Fei

Teng Yu

Mi Dabin

Cheng Heng

Li Haifeng

Lin Chong

Registered office

Huaneng Building

6 Fuxingmennei Street

Xicheng District

Beijing 100031

PRC

Independent Non-executive Directors:

Xu Mengzhou

Liu Jizhen

Xu Haifeng

Zhang Xianzhi

Xia Qing

20 October 2023

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER THE LETTER OF SUPPORT

I. INTRODUCTION

Reference is made to the announcement of the Company dated 10 October 2023 in relation to the Letter of Support and the continuing connected transactions contemplated thereunder. On 10 October 2023 (after trading hours), the Company executed the Letter of Support in favour of Shandong Company, pursuant to which the Company shall provide Liquidity Support to Shandong Company.

The purpose of this circular is to provide you with, among others: (i) further details of the Letter of Support and the transactions contemplated thereunder; (ii) the recommendations of the Directors to the Shareholders in respect of the transactions contemplated under the Letter of Support (including the proposed annual caps); (iii) the recommendations from the Independent Board Committee to the

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Independent Shareholders in respect of the transactions contemplated under the Letter of Support (including the proposed annual caps); (iv) the recommendations from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Letter of Support (including the proposed annual caps); (v) other information as required under the Hong Kong Listing Rules; and (vi) the Notice of EGM to enable you to make an informed decision while voting on the relevant resolutions at the EGM.

II. THE LETTER OF SUPPORT

Background

ABS transaction structure

The Group contemplates to securitise certain of its infrastructure assets (that is, Laiwu Project, an electricity power plant located in Laiwu, Shandong Province, the PRC) by way of participating in the issuance of the ABS on the Shanghai Stock Exchange, the size of which is expected to be approximately RMB7,694 million. As at the Latest Practicable Date: (i) Laiwu Project was wholly-owned by Laiwu Project Company; (ii) Laiwu Project Company was in turn owned as to 92.9% by Shandong Company (a subsidiary of the Company) and 7.1% by Qilu Caijin (an Independent Third Party); (iii) Shandong Company was held as to 80% by the Company and 20% by Huaneng Group, a controlling shareholder of the Company.

Under the ABS scheme, it is contemplated that the following material steps (in chronological order) shall be effected:

- (1) **Establishment of the Partnership:** the Partnership shall be established in the PRC pursuant to the Partnership Agreement by: (i) Silk Road International (a wholly-owned subsidiary of Shandong Company and a subsidiary of the Company as at the Latest Practicable Date) as the general partner, holding approximately 16% interest; (ii) Huadian Jintai (an Independent Third Party) as the Category A LP, holding approximately 80% interest; and (iii) Shandong Company as the Category B LP, holding approximately 4% interest. The registered capital of the Partnership shall be RMB9,619 million and as such, the respective approximate amounts of capital contribution by the partners shall be RMB1,540 million (Silk Road International), RMB7,694 million (Category A LP) and RMB385 million (Category B LP)^(Note 1);
- (2) **ABS issuance and the ABS acquiring interest in the Partnership:** the ABS shall be issued on the Shanghai Stock Exchange for subscription by eligible investors and managed by the Manager, with an expected issuance size of approximately RMB7,694 million. Upon the ABS issuance, Huadian Jintai shall transfer the entirety of its interest (approximately 80%) in the Partnership to the ABS, and the entirety of the proceeds of the ABS issuance shall be used as capital contribution to the Partnership. Silk Road International (as general partner) and Shandong Company (as the Category B LP) shall also make capital contributions to the Partnership;

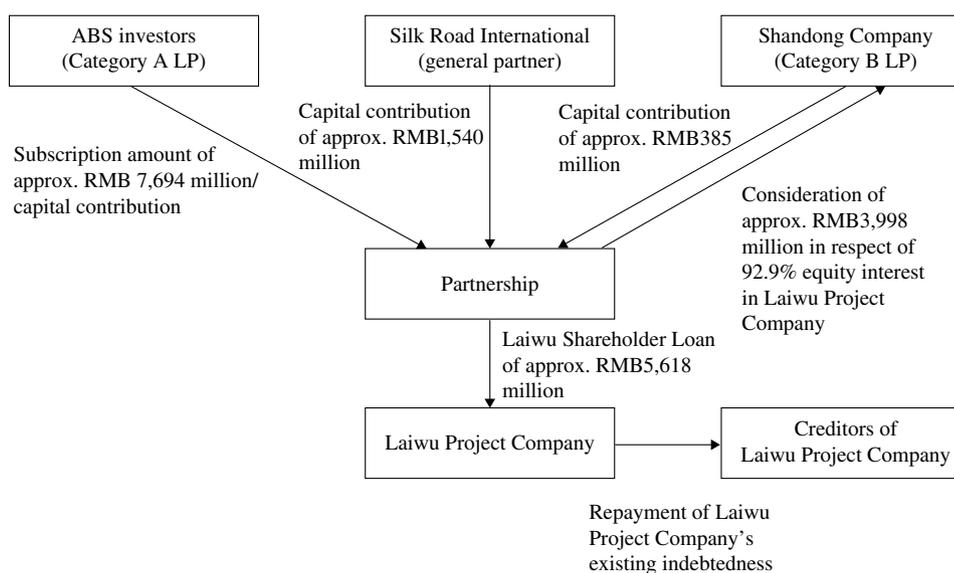
LETTER FROM THE BOARD

- (3) **Partnership acquiring interest in Laiwu Project Company:** after all partners have duly made capital contributions to the Partnership, the Partnership shall acquire from Shandong Company the 92.9% equity interest in Laiwu Project Company held by it, at a consideration of approximately RMB3,998 million (based on the preliminary valuation of Laiwu Project Company as at 30 June 2023 of approximately RMB4,303.7 million). Upon completion of the transfer, Laiwu Project Company shall be owned as to 92.9% by the Partnership and 7.1% by Qilu Caijin, respectively; and
- (4) **Partnership extending the Laiwu Shareholder Loan to Laiwu Project Company:** after acquiring interest in Laiwu Project Company, the Partnership shall extend the Laiwu Shareholder Loan to Laiwu Project Company, which shall replace Laiwu Project Company's existing indebtedness and shall replenish its working capital. The principal amount of the Laiwu Shareholder Loan is expected to be approximately RMB5,618 million (which, in turn, is equal to the aggregate amount of the then indebtedness of Laiwu Project Company and the working capital required as at 30 June 2023).

Note:

- The 80% interest held by Huadian Jintai is to be offered as ABS to eligible investors on the Shanghai Stock Exchange. The issuance proportion of 80% interest in the Partnership is in line with the issuance percentage of comparable asset-back security products on the Shanghai Stock Exchange. Silk Road International (a wholly-owned subsidiary of Shandong Company) and Shandong Company in aggregate holding 20% interest is to ensure they hold sufficient proportion in the Partnership to achieve accounting consolidation of the Partnership. The respective Partnership interests of Silk Road International and Shandong Company of 16% and 4% are a result of ABS structure design.

An indicative illustration of the fund flows under the ABS scheme is set out in the diagram below:



As at 30 June 2023, the preliminary valuation of the entire equity interest in Laiwu Project Company was approximately RMB4,303.7 million and the book value of the Laiwu Project was approximately RMB7,053.4 million. For the years ended 31 December 2021 and 2022, Laiwu Project Company

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recorded net loss (before taxation, audited) of RMB839.8 million and RMB269.7 million, respectively, and net loss (after taxation, audited) of RMB645.3 million and RMB212.0 million, respectively.

The maturity period of the ABS is expected to be 23 years. The expected issuance size of the ABS of approximately RMB7,694 million is equal to the capital contribution for 80% interest in the Partnership, which in turn is equal to 80% of the sum of: (1) consideration of approximately RMB3,998 million in respect of the 92.9% equity interest in Laiwu Project Company; (2) Laiwu Shareholder Loan's principal amount of RMB5,618 million; and (3) reserved capital in the amount of RMB3 million, which was designated to cover the stamp duty in respect of the transfer of equity interest in Laiwu Project Company and to cover the normal operational expenses of the Partnership.

Upon the completion of the issuance of the ABS, the Group expects to record an increase in total equity (non-controlling interests) in an amount equal to the size of the ABS (estimated to be approximately RMB7,694 million), among which approximately RMB5,354 million will be used to repay existing interest-bearing liabilities of Laiwu Project Company, and the remainder of approximately RMB2,340 million will be used as working capital and for investment purposes. The estimated net proceeds from the issuance of the ABS of approximately RMB2,073 million is derived from (a) the consideration of approximately RMB3,998 million in respect of 92.9% equity interest in Laiwu Project Company that Shandong Company will be entitled to receive minus (b) Shandong Company's and Silk Road International's respective capital contributions to the Partnership of RMB385 million and RMB1,540 million. As mentioned, it is expected that interest-bearing liabilities of approximately RMB5,354 million of Laiwu Project Company will be repaid after the ABS issuance. If the total amount of ABS issuance proceeds of RMB7,694 million would be fully used to repay interest-bearing liabilities of the Group, the Group would record a decrease in asset-liability ratio by approximately 1.49%. The aforesaid expected financial effects: (i) are based on information available to the Company as at the Latest Practicable Date; (ii) are for illustrative purposes only; and (iii) does not purport to represent how the Group's financial position will be upon completion of the ABS issuance.

Distributions under the Partnership

Under the Partnership Agreement, the Partnership may distribute assets to the partners, either as earnings or as a means to allow partners to redeem their interests in the Partnership.

Under the Partnership Agreement, there are three types of distributions (the “**Distributions**” and each a “**Distribution**”):

- (1) **Revenue Distribution (經營收益分配):** refers to the distribution of revenue, net profit and tax refund payments (if any) of the Partnership;
- (2) **Disposal Distribution (處置分配):** refers to the distribution of distributable assets which primarily include repayments from the Laiwu Shareholder Loan, income from disposal of Laiwu Project, income from disposal of other assets, and unused funds; and

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- (3) **Liquidation Distribution (清算分配):** refers to distribution of any remaining distributable assets after the Disposal Distribution.

Under the Partnership Agreement, decisions on Distributions and withdrawal are to be resolved in partners' meetings, in which each partner has one vote. Two-thirds approval is required for Revenue Distribution and Disposal Distribution, while unanimous approval is required for liquidation of the Partnership and withdrawal of partners. As Silk Road International is a wholly-owned subsidiary of Shandong Company, Shandong Company has control over the Distribution and dissolution of the Partnership.

Further, there are two overriding principles governing the Distributions: (i) Revenue Distribution involves only distribution of cash, while Disposal Distribution may involve distribution of cash and non-cash assets (principally, the 92.9% equity interest in Laiwu Project Company); and (ii) all non-cash assets shall only be distributed to Shandong Company (as the Category B LP), while cash assets may be distributed to any partners. As Shandong Company has control over the Distributions of the Partnership, the rules on Distribution ensures that the equity interest in Laiwu Project Company will be distributed to Shandong Company when such equity interest is part of the distributable assets where Shandong Company resolves to conduct such Disposal Distribution (and where Shandong Company decides not to acquire the equity interest in Laiwu Project Company, it may so choose not to conduct any such Disposal Distribution).

Security (including the Letter of Support)

To secure the repayment of the Laiwu Shareholder Loan, Laiwu Project Company shall pledge, among others, all operating revenue from Laiwu Project (including but not limited to revenue from sales of power, sales of heat, and sales of coal ash) in favour of the Partnership.

In addition: (i) Shandong Company, the designated operation support institution for Laiwu Project Company under the ABS scheme, shall provide the Operation Support (as elaborated below) pursuant to the Operation Support Agreement and bear the Cash Interchange Obligation (as elaborated below) pursuant to the Partnership Agreement; and (ii) the Company shall execute the Letter of Support in favour of Shandong Company, pursuant to which the Company shall provide the Liquidity Support to Shandong Company to cover the Operation Support and Cash Interchange Obligation in the event where Shandong Company fails to do so.

Operation Support

Shandong Company shall enter into the Operation Support Agreement, pursuant to which Shandong Company shall provide Operation Support to Laiwu Project Company consisting:

- (1) **Capital Support:** upon the occurrence of the Capital Support Event (that is, where Laiwu Project Company requires external funding to support its daily operations), Shandong Company shall provide funding to Laiwu Project Company for the shortfall accordingly; and

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- (2) Performance Support: upon the occurrence of the Performance Support Event (that is, where: (i) the partners of the Partnership resolve to conduct a Distribution; and (ii) where, upon audit being conducted against Laiwu Project Company, the balance in Laiwu Project Company's bank account is found to be insufficient to enable Laiwu Project Company to comply with all of its external payment obligations), Shandong Company shall provide funding to Laiwu Project Company for the shortfall accordingly.

Cash Interchange Obligation

As discussed above, under the Partnership Agreement, it is possible for the partners of the Partnership to resolve to conduct the Disposal Distribution (處置分配). Where such Disposal Distribution occurs after Laiwu Project Company has fully discharged the Laiwu Shareholder Loan (or where the Laiwu Shareholder Loan has been disposed by any other means), the Partnership Agreement prescribes that: (i) the assets under the Partnership shall first be distributed to the limited partners (i.e. Shandong Company (as the Category B LP) and the Category A LP) in accordance with their respective capital contribution; and (ii) the balance (if any) shall be distributed to the general partner. This is, however, subject to the overriding principle that all non-cash assets of the Partnership (principally, the 92.9% equity interest in Laiwu Project Company) shall only be distributed to Shandong Company (as the Category B LP), while cash assets may be distributed to any partners. It follows that a valuation shall be conducted in respect of the non-cash assets under the Disposal Distribution. The Partnership Agreement provides that if the appraised value of the non-cash assets is greater than Shandong Company's capital contribution in such Disposal Distribution scenario (the "**Cash Interchange Obligation Event**"), Shandong Company shall make up for the shortfall by paying an equal amount of cash to the Partnership (that is, to discharge the Cash Interchange Obligation). Thereafter, all non-cash assets of the Partnership may be distributed to Shandong Company (as the Category B LP) and the cash assets may be distributed to the Category A LP.

The principal purpose of the Cash Interchange Obligation is to ensure that, given that the rules on Distribution prescribe that non-cash assets of the Partnership (principally, the 92.9% equity interest in Laiwu Project Company) will be distributed to Shandong Company when Distribution of such non-cash assets occurs, if the value of the non-cash assets is greater than Shandong Company's capital contribution to the Partnership (RMB385 million), Shandong Company is required to pay to the Partnership for the surplus in amount as an interchange for the non-cash assets.

For the avoidance of the doubt, the Cash Interchange Obligation Event will only occur in the scenario of a Disposal Distribution after Laiwu Project Company has fully discharged the Laiwu Shareholder Loan (or where the Laiwu Shareholder Loan has been disposed by any other means). Under Revenue and Liquidation Distribution, the Cash Interchange Obligation Event is irrelevant. This is to be contrasted against the Performance Support Event, which could be triggered in any type of Distributions. Further, under Performance Support, Shandong Company is to provide funds to Laiwu Project Company, while under Cash Interchange Obligation, Shandong Company is to provide funds to the Partnership.

LETTER FROM THE BOARD

The continuing connected transactions contemplated under the Letter of Support

On 10 October 2023 (after trading hours), the Company executed the Letter of Support in favour of Shandong Company, pursuant to which the Company shall provide the Liquidity Support to Shandong Company to cover the Operation Support and Cash Interchange Obligation in the event where Shandong Company fails to do so.

Details of the Letter of Support are set out below:

Date : 10 October 2023

Parties involved : issued by the Company to Shandong Company

Nature of transactions : the Company agrees to provide Liquidity Support in favour of Shandong Company in respect of Shandong Company's obligation: (i) to provide the Capital Support and the Performance Support under the Operation Support Agreement; and (ii) to perform the Cash Interchange Obligation under the Partnership Agreement, in the event where Shandong Company fails to do so

Proposed term

The Company shall provide the Liquidity Support during the entire designated life of Laiwu Project's electricity power plant units to ensure its continued operation, which shall be 30 years since the commission date of production. As the latest commission year of production of the relevant electricity power plant units was 2016, the term of the Liquidity Support provided by the Company shall expire in 2046, that is, the proposed term shall be 23 years from 2023.

Proposed annual cap

The proposed annual cap shall be RMB9,529 million each year (from 2023 until 2046, being the expiry year of the term of the Letter of Support).

Basis of the proposed annual cap

The proposed amount of the annual cap is the sum of the estimated amounts of the Performance Support and the Cash Interchange Obligation. The estimate amount of the Capital Support is not separately accounted for as the Directors are of the view that: (i) the amount of funding required upon the occurrence of the Capital Support Event would be covered by the sum of the estimated amounts of the Performance Support and the Cash Interchange Obligation; and (ii) the possibility of the concurrent occurrence of the Performance Support Event, the Cash Interchange Obligation and the Capital Support Event, is remote.

LETTER FROM THE BOARD

Estimated amount of the Performance Support

The estimated amount of the Performance Support adopted in arriving at the proposed annual cap is RMB5,916 million.

As explained above in this letter from the Board, the Performance Support is triggered at the time when, essentially, Laiwu Project Company is unable to meet its external payment obligations on a given date. For the purpose of estimation, such amount is assumed to be the aggregate principal and interests of the Laiwu Shareholder Loan. Given that: (i) as discussed above in this letter from the Board, the Laiwu Shareholder Loan shall be extended from the Partnership to Laiwu Project Company to replace Laiwu Project Company's existing indebtedness and replenish its working capital; and (ii) as at 30 June 2023, the aggregate amount of the then indebtedness of Laiwu Project Company and the working capital required was approximately RMB5,618 million, RMB5,618 was adopted as the principal amount of the Laiwu Shareholder Loan for the purpose of estimation. As to the amount of interests, the Directors adopted the amount of RMB298 million, taking into account of: (i) the amount of RMB269 million, being the expected return to the ABS holders based on the expected size of ABS issuance of approximately RMB7,694 million with the expected coupon rate of 3.5% per annum; and (ii) administrative costs (such as tax).

While the aggregate principal and interests of the Laiwu Shareholder Loan are adopted as the estimated amount of the Performance Support, this does not indicate that the Company will necessarily bear the entire Laiwu Shareholder Loan for Laiwu Project Company, as this is merely a conservative estimation based on currently available information. The Company wishes to emphasise that: (i) both prior to and after the ABS issuance, Laiwu Project Company would remain a subsidiary of the Company, and the provision of Liquidity Support is in line with the Company's normal commercial practice to provide financial support to its subsidiaries in its ordinary course of business; and (ii) under the Letter of Support, the Company has the right to seek reimbursement from Shandong Company for the amount that the Company provided as Liquidity Support. As such, the Board is of the view that the estimation is fair and reasonable.

Estimated amount of the Cash Interchange Obligation

The estimated amount of the Cash Interchange Obligation adopted in arriving at the proposed annual cap is RMB3,613 million.

As discussed above in this letter from the Board, the Cash Interchange Obligation concerns the possible difference between the appraised value of the Partnership's non-cash assets (principally, the 92.9% equity interest in Laiwu Project Company) and the capital contribution by Shandong Company upon the occurrence of the Cash Interchange Obligation Event. For the purpose of estimation, the amount of RMB3,613 million was adopted, being: (i) the preliminary valuation of 92.9% equity interest in Laiwu Project Company as at 30 June 2023 in the amount of approximately RMB3,998 million, minus (ii) the expected capital contribution of Shandong Company (as the Category B LP) to the Partnership of approximately RMB385 million, for the principal reason that the Partnership is not expected to hold any significant non-cash assets other than the 92.9% equity interest in Laiwu Project Company. As such, the Board is of the view that the estimation is fair and reasonable.

LETTER FROM THE BOARD

Hong Kong Listing Rules implications

As at the Latest Practicable Date, Shandong Company was held as to 20% by Huaneng Group, and Huaneng Group was a controlling Shareholder and thus a connected person of the Company pursuant to the Hong Kong Listing Rules. Therefore, the transactions contemplated under the Letter of Support constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Hong Kong Listing Rules in respect to the highest proposed annual cap exceed 5%, the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Company will submit the resolutions regarding the Letter of Support and transactions contemplated thereunder (including the proposed annual caps) for approval by Independent Shareholders at the EGM.

The Independent Board Committee will advise the Independent Shareholders in connection with the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps). The letter from the Independent Board Committee to the Independent Shareholders is included in this circular.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps), and whether such transactions are in the interests of the Company and its Shareholders as a whole. The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is also included in this circular.

In addition, as mentioned above, the proposed term of the Letter of Support is 23 years. In this case, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Gram Capital have also been appointed in this regard.

Having considered the following factors, Gram Capital confirms that the duration of Letter of Support, which is longer than three years, is required, and it is normal business practice for agreements of this type to be of such duration.

- (1) Gram Capital discussed with the Directors and noted that the purpose of the transactions contemplated under the Letter of Support are to ensure and enhance the performance of Shandong Company's obligations under the Operation Support Agreement and the Partnership Agreement, which will be conducive for the Company to obtain the recognition of investors as well as to reduce the cost of issuance;
- (2) Gram Capital understood from the Directors that they expected that there should not be material difference between the designed life and duration of the operations of electricity power plant units in the Laiwu Project. Therefore, the duration of Letter of Support is in line with the duration of the operations of electricity power plant units in the Laiwu Project;

LETTER FROM THE BOARD

- (3) as advised by the Directors, in respect of the ABS, a domestic rating agency in the PRC was engaged to conduct credit rating on the ABS in accordance with the full life cycle of the ABS, which is designated to be 23 years. In the credit rating process, the credit of the Company was taken into consideration. If the Liquidity Support provided by the Company was unable to cover the full life cycle of the ABS (i.e. 23 years), the credit rating of the ABS products would have been adversely affected and the ABS would not be able to be rated in the highest possible grading of AAA. As the credit rating is the fundamental basis and main consideration for eligible investors to subscribe for the ABS, the failure to obtain the AAA rating would materially impede the issuance of the ABS or substantially increase the cost of issuance of the ABS; and
- (4) Gram Capital further identified transactions in respect of provision of liquidity support of listed companies in the PRC relating to asset-backed securities. The duration of the aforesaid liquidity support arrangements is unspecified.

The Company believes that on the bases of the above, the Independent Shareholders have been provided with sufficient information so as to make an informed decision in the voting of the relevant proposed resolutions at the EGM.

III. REASONS FOR AND BENEFIT OF THE TRANSACTIONS

By participating in the ABS, the Company will be able to effectively revitalise its infrastructure assets, enhance its operation and management, and promote the transformation and development of business and operation of the Group. Further, the ABS represents an alternative financing method for the Company, which will diversify the fundraising methods and platforms of the Group and reduce its reliance on traditional debt financing channels. It will also enhance the Company's rolling investment capability and sustainable operation, which will be beneficial to the Group's long-term performance.

The Company's participation in the ABS will bring in funding, improve the Company's balance sheet and enhance its investment capacity. The principal purpose of the Liquidity Support is to secure the performance of Shandong Company's obligations under the Operation Support Agreement and the Partnership Agreement, which will be conducive for the ABS to obtain the recognition of eligible investors as well as to reduce the cost of issuance.

In respect of the ABS, a domestic rating agency in the PRC was engaged to conduct credit rating on the ABS in accordance with the full life cycle of the ABS, which is designated to be 23 years. During the credit rating process, the credit of the Company was taken into consideration. If the Liquidity Support provided by the Company was unable to cover the full life cycle of the ABS, that is, 23 years, the credit rating of the ABS products would have been adversely affected and the ABS would not be able to be rated in the highest possible grading of AAA. As the credit rating is the fundamental basis and main consideration for eligible investors to subscribe for the ABS, the failure to obtain the AAA rating would materially impede the issuance of the ABS or substantially increase the cost of issuance of the ABS. In this connection, the term and annual cap of the continuing connected transactions contemplated under the Letter of Support are essential to the proposed ABS issuance.

LETTER FROM THE BOARD

As advised by the Directors, upon the completion of the issuance of the ABS, the Group expects to record an increase in total equity (non-controlling interests) in an amount equal to the size of the ABS (estimated to be approximately RMB7,694 million), among which approximately RMB5,354 million will be used to repay existing interest-bearing liabilities of Laiwu Project Company, and the remainder of approximately RMB2,340 million will be used as working capital and for investment purposes. As mentioned, it is expected that interest-bearing liabilities of approximately RMB5,354 million of Laiwu Project Company will be repaid after the ABS issuance. If the total amount of ABS issuance proceeds of RMB7,694 million would be fully used to repay interest-bearing liabilities of the Group, the Group would record a decrease in asset-liability ratio by approximately 1.49%. Thus, the ABS issuance will enable the Group to improve its financial performance. The aforesaid expected financial effects: (i) are based on information available to the Company as at the Latest Practicable Date; (ii) are for illustrative purposes only; and (iii) does not purport to represent how the Group's financial position will be upon completion of the ABS issuance.

Based on the above, the Board (including the independent non-executive Directors whose views is set out in the section headed "Letter from the Independent Board Committee" of this circular after taking into account the advice of the Independent Financial Adviser) is of the view that the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps and the basis thereof) are fair and reasonable, entered into on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

IV. INFORMATION OF THE PARTIES

The Company and its subsidiaries mainly develop, construct, operate and manage power plants in China nationwide. It is one of the largest listed power producers in China, with a controlled generation capacity of 131,511MW as at 30 September 2023.

As at the Latest Practicable Date, Huaneng Group held a 75% direct interest and a 25% indirect interest in HIPDC, while HIPDC, being the direct controlling shareholder of the Company, held a 32.28% interest in the Company. Huaneng Group is a stated-owned central enterprise with power generation as its main business, which is under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council. As at the Latest Practicable Date, Huaneng Group also held a 9.91% direct interest in the Company and held a 3.01% indirect interest in the Company through its wholly-owned subsidiary Huaneng HK, a 0.84% indirect interest in the Company through Huaneng Treasury, its indirect wholly-owned subsidiary, and a 0.06% indirect interest in the Company through its controlling subsidiary Huaneng Finance. Huaneng Group is the ultimate controlling shareholder of the Company. Huaneng Group is principally engaged in the operation and management of enterprise investments; development, investment, construction, operation and management of power plants; organising the generation and sale of power (and heat); and the development, investment, construction, production and sale of products in relation to energy, transportation, new energy and environmental protection industries.

LETTER FROM THE BOARD

Shandong Company is a subsidiary of the Company which was held as to 80% by the Company and 20% by Huaneng Group as at the Latest Practicable Date. Shandong Company is principally engaged in the development, investment, construction and management of electric power (heat) projects; investment in coal, transportation and related industries; electricity purchase and sale; thermal power technical consulting services.

V. BOARD'S CONFIRMATION

The Board has considered and approved the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps and the basis thereof). Pursuant to Rule 14A.68(8) of the Hong Kong Listing Rules, Wang Kui, Huang Jian, Lu Fei and Teng Yu, all being Directors of the Board being regarded as having a material interest in the transactions given their management positions in Huaneng Group, Shandong Company or its associates, abstained from voting on the relevant Board resolutions. The resolutions were voted on by Directors who are not connected to the transactions.

The Directors (including the independent non-executive Directors) are of the view that the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps and the basis thereof) were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis or on terms no less favourable to the Company than terms available from Independent Third Parties); and (iii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The above proposal regarding the continuing connected transactions contemplated under the Letter of Support shall be submitted to the EGM as an ordinary resolution for consideration and approval by the Shareholders.

VI. THE EGM

The Company will convene an extraordinary general meeting on 5 December 2023 to seek approval from Shareholders on resolutions as set out in the Notice of EGM.

The resolutions set out in the Notice of EGM are not inter-conditional upon each other. All resolutions proposed at the EGM will be passed by way of ordinary resolutions and voting will be taken by way of poll in accordance with the requirements of the Hong Kong Listing Rules. Huaneng Group and its associates (holding an aggregate of 7,235,376,866 ordinary shares in the Company, representing approximately 46.09% of the total issued shares of the Company as at the Latest Practicable Date) will abstain from voting on the resolutions regarding the continuing connected transactions contemplated under the Letter of Support. Save as disclosed, no shareholders are required to abstain from voting in connection with the matters to be resolved at the EGM.

Notice of the EGM together with the relevant reply slip and proxy form, have been issued to Shareholders separately. Whether or not you intend to attend the meeting in person, you are requested to complete and return the reply slip in accordance with the instructions printed thereon. The form of proxy should be completed and returned to the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the

LETTER FROM THE BOARD

registered office of the Company in accordance with the instructions printed thereon as soon as practicable and in any event by not later than 24 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

VII. RECOMMENDATIONS

Your attention is also drawn to the letter from the Independent Board Committee to the Independent Shareholders of the Company, which is set out on pages 19 to 20 of this circular, and which contains their recommendation in respect of the transaction contemplated under the Letter of Support.

The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on, among other things, the fairness and reasonableness of the transactions relating to the Letter of Support, and whether such transactions are in the interests of the Company and its Shareholders as a whole is set out on pages 21 to 33 of this circular.

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the transactions contemplated under the Letter of Support are fair and reasonable so far as the Independent Shareholders are concerned and that such transactions are in the interests of the Company and its Shareholders as a whole. Accordingly, it recommends that the Independent Shareholders vote in favour of the resolutions regarding the Letter of Support at the EGM.

The Directors consider that the ordinary resolutions set out in the Notice of EGM are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favour of all resolutions to be proposed at the EGM as set out in the Notice of the EGM.

VIII. OTHER INFORMATION

Your attention is drawn to the other information set out in the appendix to this circular.

Yours faithfully
By order of the Board
Huaneng Power International, Inc.
Huang Chaoquan
Company Secretary

LETTER THE INDEPENDENT BOARD COMMITTEE



華能國際電力股份有限公司

HUANENG POWER INTERNATIONAL, INC.

(a Sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 902)

Registered office:
Huaneng Building
6 Fuxingmennei Street
Xicheng District
Beijing 100031
The People's Republic of China

20 October 2023

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER THE LETTER OF SUPPORT

We, the Independent Board Committee of Huaneng Power International, Inc. (the “**Company**”), are advising the Independent Shareholders in connection with the transaction contemplated under the Letter of Support, details of which are set out in the letter from the Board contained in the circular (“**Circular**”) of the Company to the Shareholders dated 20 October 2023, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Under the Hong Kong Listing Rules, the transactions contemplated under the Letter of Support constitute continuing connected transactions of the Company. Accordingly, the conduct of the transactions will require the approval of the Independent Shareholders at the EGM.

We wish to draw your attention to the letter of advice from Gram Capital set out on pages 21 to 33 of the Circular. We have discussed the letter and the opinion contained therein with Gram Capital.

Having considered, among other things, the factors and reasons considered by, and the opinion of, Gram Capital, as stated in its aforementioned letter, we consider the transactions contemplated under the Letter of Support are:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms (on arm's length basis or on terms no less favourable than those offered to the Company by independent third parties); and

LETTER THE INDEPENDENT BOARD COMMITTEE

- (3) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolutions regarding the transactions contemplated under the Letter of Support set out in the Notice of the EGM to be proposed at the EGM to be held on 5 December 2023.

Yours faithfully,
For and on behalf of
The Independent Board Committee

Xu Mengzhou
*Independent non-
executive Director*

Liu Jizhen
*Independent non-
executive Director*

Xu Haifeng
*Independent non-
executive Director*

Zhang Xianzhi
*Independent non-
executive Director*

Xia Qing
*Independent non-
executive Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Liquidity Support for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

20 October 2023

*To: The independent board committee and the independent shareholders
of Huaneng Power International, Inc.*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS UNDER THE LETTER OF SUPPORT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Liquidity Support, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 October 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Group contemplates to securitise certain of its infrastructure assets (that is, Laiwu Project, an electricity power plant located in Laiwu, Shandong Province, the PRC) by way of participating in the issuance of the ABS on the Shanghai Stock Exchange. The size of the ABS is expected to be RMB7,694 million. As part of the ABS scheme, the Company executed the Letter of Support in favour of Shandong Company on 10 October 2023. Pursuant to the Letter of Support, the Company shall provide the Liquidity Support during the entire designated life of Laiwu Project’s electricity power plant units to ensure its continued operation, which shall be 30 years since the commission date of production. As the latest commission year of production of the relevant electricity power plant units was 2016, the term of the Liquidity Support provided by the Company shall expire in 2046, that is, the proposed term shall be 23 years from 2023.

With reference to the Board Letter, the Liquidity Support constitutes continuing connected transactions of the Company and are subject to reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Xu Mengzhou, Mr. Liu Jizhen, Mr. Xu Haifeng, Mr. Zhang Xianzhi and Mr. Xia Qing (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Liquidity Support are fair and reasonable and on normal commercial terms; and (ii) whether the Liquidity Support is conducted in the

LETTER FROM GRAM CAPITAL

ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Liquidity Support at the EGM.

In addition, since the term of Letter of Support is longer than three years, pursuant to Rule 14A.52 of the Hong Kong Listing Rules, the Company must appoint an independent financial adviser to explain why the Letter of Support requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

We, Gram Capital Limited, have been appointed as the Independent Financial Adviser in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the Company's independent board committee and independent shareholders in respect of (i) continuing connected transactions (details of which were set out in the Company's circular dated 1 November 2021); (ii) discloseable transaction and continuing connected transactions (details of which were set out in the Company's circular dated 6 December 2021); (iii) (a) discloseable and connected transactions; and (b) continuing connected transactions (details of which were set out in the Company's circular dated 16 December 2022); and (iv) continuing connected transactions (details of which were set out in the Company's announcement dated 10 October 2023). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 13.84 of the Hong Kong Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements and will not affect our independence to act as the Independent Financial Advisers, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the

LETTER FROM GRAM CAPITAL

reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Liquidity Support. We consider that we have taken sufficient and necessary steps (such as obtaining the Letter of Support, review the terms of the Liquidity Support; and analysis on the Company's estimated figures in relation to the annual caps of Liquidity Support) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters omitted which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Shandong Company, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Liquidity Support. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Liquidity Support, we have taken into consideration the following principal factors and reasons:

Business overview of the Group

With reference to the Board Letter, the Company and its subsidiaries mainly develop, construct, operate and manage power plants in China nationwide. It is one of the largest listed power producers in China, with a controlled generation capacity of 131,511MW as at 30 September 2023.

LETTER FROM GRAM CAPITAL

Background of and reasons for the Liquidity Support

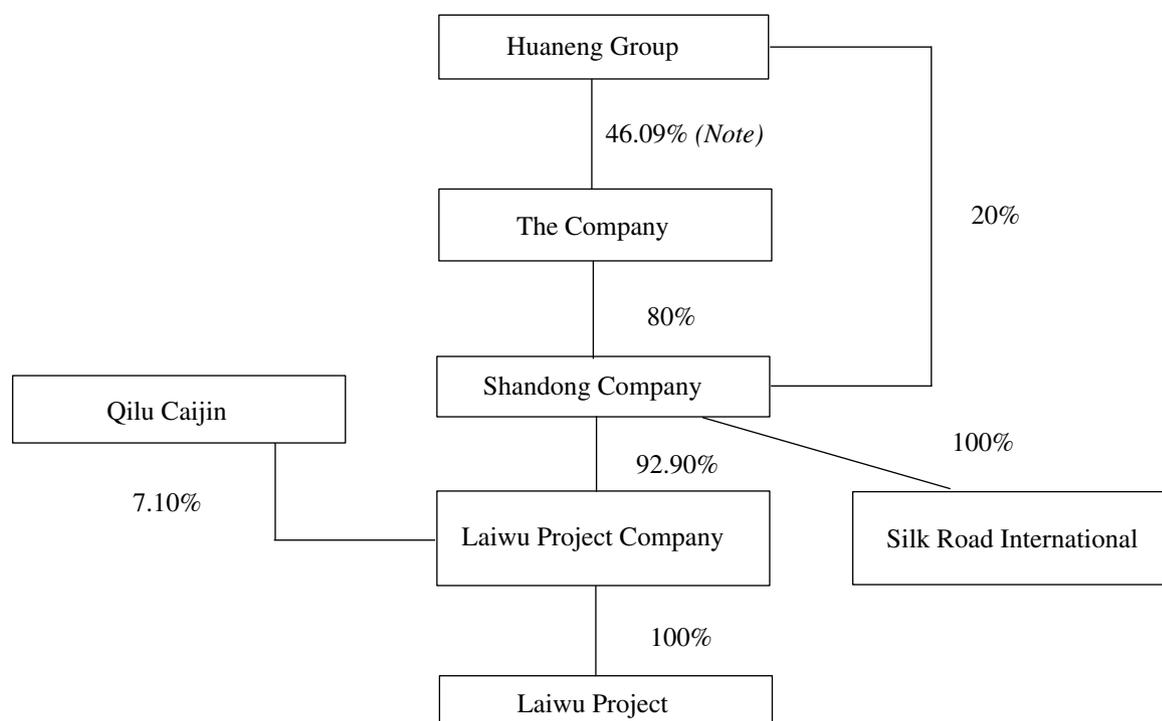
Information on Shandong Company

With reference to the Board Letter, Shandong Company is principally engaged in the development, investment, construction and management of electric power (heat) projects; investment in coal, transportation and related industries; electricity purchase and sale; thermal power technical consulting services. As at the Latest Practicable Date, Shandong Company is a subsidiary of the Company and was held as to 80% by the Company and 20% by Huaneng Group.

Information on the ABS

ABS transaction structure

The Group contemplates to securitise certain of its infrastructure assets (i.e. Laiwu Project) by way of participating in the issuance of the ABS on the Shanghai Stock Exchange. The shareholding of Laiwu Project Company as at the Latest Practicable Date are as follows:



Note: With reference to the Board Letter, Huaneng Group and its associates held an aggregate of 7,235,376,866 ordinary shares in the Company, representing approximately 46.09% of the total issued shares of the Company as at the Latest Practicable Date.

LETTER FROM GRAM CAPITAL

Under the ABS scheme, it is contemplated that the following material steps (in chronological order) shall be effected:

- (1) **Establishment of the Partnership:** the Partnership shall be established in the PRC pursuant to the Partnership Agreement by: (i) Silk Road International (a wholly-owned subsidiary of Shandong Company and a subsidiary of the Company as at the Latest Practicable Date) as the general partner, holding approximately 16% interest; (ii) Huadian Jintai (an Independent Third Party) as the Category A LP, holding approximately 80% interest; and (iii) Shandong Company as the Category B LP, holding approximately 4% interest. The registered capital of the Partnership shall be RMB9,619 million and as such, the respective approximate amounts of capital contribution by the partners shall be RMB1,540 million (Silk Road International), RMB7,694 million (Category A LP) and RMB385 million (Category B LP).

As advised by the Directors, as (i) each Silk Road International, Shandong Company and Huadian Jintai has the same voting rights in the Partnership; and (ii) Silk Road International is a wholly-owned subsidiary of Huaneng Shandong, Shandong Company has the control power on the Partnership. Accordingly, the Partnership is accounted for a subsidiary of the Company;

- (2) **ABS issuance and the ABS acquiring interest in the Partnership:** the ABS shall be issued on the Shanghai Stock Exchange for subscription by eligible investors and managed by the Manager. The size of ABS is expected to be RMB7,694 million with expected coupon rate of 3.5% per annum. Upon the ABS issuance, Huadian Jintai shall transfer the entirety of its interest (approximately 80%) in the Partnership to the ABS, and the entirety of the proceeds of the ABS issuance shall be used as capital contribution to the Partnership. Silk Road International (as general partner) and Shandong Company (as the Category B LP) shall also make capital contributions to the Partnership; and
- (3) **The Partnership acquiring interest in Laiwu Project Company:** after all partners have duly made capital contributions to the Partnership, the Partnership shall acquire from Shandong Company the 92.9% equity interest in Laiwu Project Company held by it. Upon completion of the transfer, Laiwu Project Company shall be owned as to 92.9% by the Partnership and 7.1% by Qilu Caijin, respectively.

The consideration of the aforesaid transfer would be approximately RMB3,998 million, based on the preliminary valuation of Laiwu Project Company as at 30 June 2023.

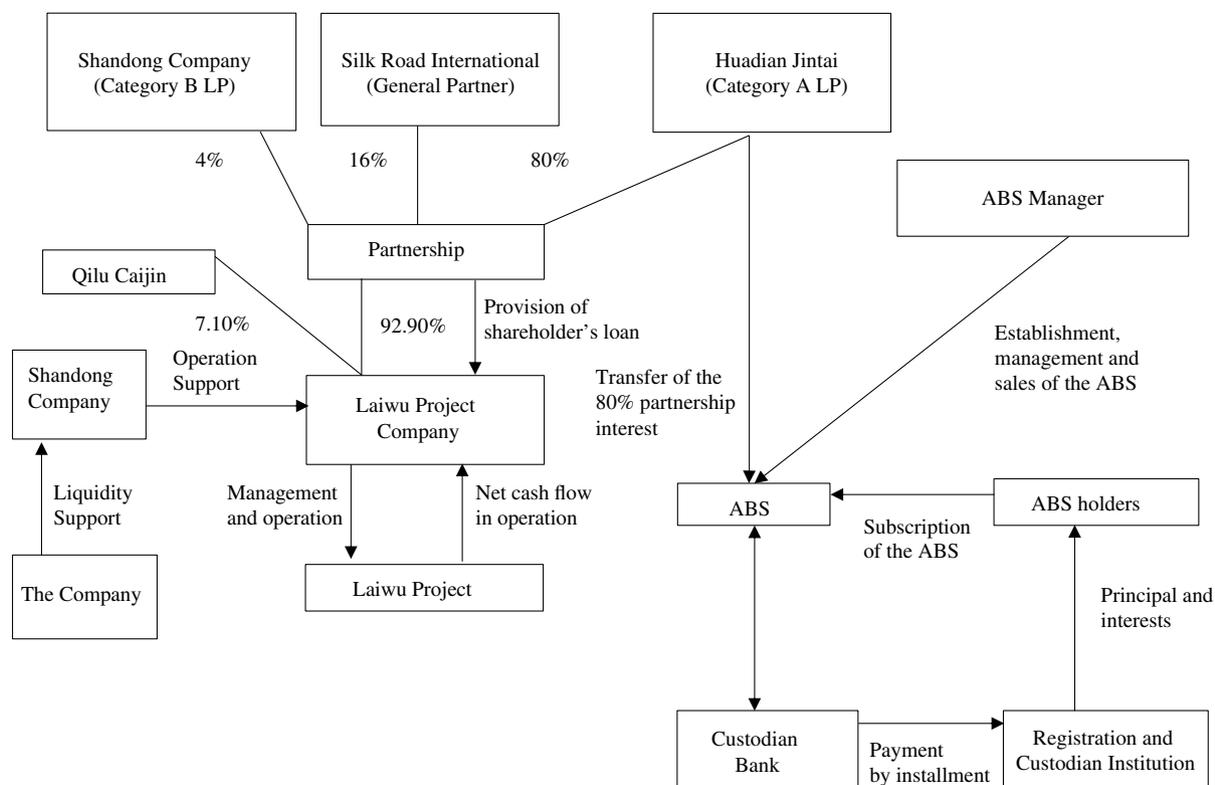
- (4) **Partnership extending the Laiwu Shareholder Loan to Laiwu Project Company:** after acquiring interest in Laiwu Project Company, the Partnership shall extend the Laiwu Shareholder Loan to Laiwu Project Company, which shall replace Laiwu Project Company's existing indebtedness and shall replenish its working capital. The principal amount of the Laiwu Shareholder Loan is expected to be approximately RMB5,618 million (which, in turn, is equal to the aggregate amount of the then indebtedness of Laiwu Project Company and the working capital required as at 30 June 2023).

To secure the repayment of the Laiwu Shareholder Loan, Laiwu Project Company shall pledge, among others, all operating revenue from Laiwu Project (including but not limited to revenue from sales of power, sales of heat, and sales of coal ash) in favour of the Partnership.

LETTER FROM GRAM CAPITAL

In addition: (i) Shandong Company, the designated operation support institution for Laiwu Project Company under the ABS scheme, shall provide the Operation Support pursuant to the Operation Support Agreement and bear the Cash Interchange Obligation pursuant to the Partnership Agreement; and (ii) the Company shall execute the Letter of Support in favour of Shandong Company, pursuant to which the Company shall provide the Liquidity Support to Shandong Company to cover the Operation Support and Cash Interchange Obligation in the event where Shandong Company fails to do so.

Set out below are the proposed structure of the ABS:



Please also refer to the section headed “THE LETTER OF SUPPORT” of the Board Letter for more details of the ABS.

Reasons for and benefit of the Liquidity Support

With reference to the Board Letter, by participating in the ABS, the Company will be able to effectively revitalise its infrastructure assets, enhance its operation and management, and promote the transformation and development of business and operation of the Group. Further, the ABS represents an alternative financing method for the Company, which will diversify the fundraising methods and platforms of the Group and reduce its reliance on traditional debt financing channels. It will also enhance the Company’s rolling investment capability and sustainable operation, which will be beneficial to the Group’s long-term performance.

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The Company's participation in the ABS will bring in funding, improve the Company's balance sheet and enhance its investment capacity. The principal purpose of the Liquidity Support is to secure the performance of Shandong Company's obligations under the Operation Support Agreement and the Partnership Agreement, which will be conducive for the ABS to obtain the recognition of eligible investors as well as to reduce the cost of issuance.

As the Shandong Company is a non-wholly owned subsidiary of the Company, the proposed provision of financial assistance will be essentially the provision of financial assistance by the Company to its subsidiary. As advised by the Directors, the Company has been providing different types of financial assistance to its subsidiaries for years. Based on our research, we noted that it is not uncommon for PRC listed companies to provide financial assistance (including borrowing and guarantee) to their subsidiaries.

In respect of the ABS, a domestic rating agency in the PRC was engaged to conduct credit rating on the ABS in accordance with the full life cycle of the ABS, which is designated to be 23 years. During the credit rating process, the credit of the Company was taken into consideration. If Liquidity Support provided by the Company was unable to cover the full life cycle of the ABS, that is, 23 years, the credit rating of the ABS products would have been adversely affected and the ABS would not be able to be rated in the highest possible grading of AAA. As the credit rating is the fundamental basis and main consideration for eligible investors to subscribe for the ABS, the failure to obtain the AAA rating would materially impede the issuance of the ABS or substantially increase the cost of issuance of the ABS. In this connection, the term and annual cap of the transactions contemplated under the Letter of Support are essential to the proposed ABS issuance.

With reference to the Board Letter and as advised by the Directors, upon the completion of ABS issuance (assuming the proceeds from transfer of Laiwu Project Company by Shandong Company to Partnership were not utilised), the Group expected to record (i) an increase in total asset; (ii) an increase in total equity with amount of size of ABS (i.e. estimated to be RMB7,694 million); and (iii) a decrease in total liabilities due to the replacement of Laiwu Project Company's existing indebtedness by the Laiwu Shareholder Loan. The estimated net proceeds from the issuance of the ABS amounted to approximately RMB2,073 million. The Group further expected to record a decrease in asset-liability ratio (calculated by total liabilities over total assets). The aforesaid expected financial effects (i) are based on information available to the Company as at the Latest Practicable Date; (ii) are for illustrative purposes only; and (iii) does not purport to represent how the Group's financial position will be upon completion of ABS issuance.

Based on the above factors, we concur with the Directors that the Liquidity Support is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and Shareholders as a whole.

Principal terms of the Liquidity Support

Set out below is the summary of the Liquidity Support, details of which are set out under section headed "The continuing connected transactions contemplated under the Letter of Support" of the Board Letter.

LETTER FROM GRAM CAPITAL

Date	10 October 2023
Parties involved	Issued by the Company to Shandong Company
Nature of transactions	the Company agrees to provide Liquidity Support in favour of Shandong Company in respect of Shandong Company's obligation: (i) to provide the Capital Support and the Performance Support under the Operation Support Agreement; and (ii) to perform the Cash Interchange Obligation under the Partnership Agreement, in the event where Shandong Company fails to do so

Term of the Letter of Support

The Company shall provide the Liquidity Support during the entire designated life of Laiwu Project's electricity power plant units to ensure its continued operation, which shall be 30 years since the commission date of production. As the latest commission year of production of the relevant electricity power plant units was 2016, the term of the Liquidity Support provided by the Company shall expire in 2046, that is, the proposed term shall be 23 years from 2023.

Having considered the following factors, we confirm that the duration of Letter of Support, which is longer than three years, is required, and it is normal business practice for agreements of this type to be of such duration.

- (i) we discussed with the Directors and noted that the purpose of the transactions contemplated under the Letter of Support are to ensure and enhance the performance of Shandong Company's obligations under the Operation Support Agreement and the Partnership Agreement, which will be conducive for the Company to obtain the recognition of investors as well as to reduce the cost of issuance;
- (ii) we understood from the Directors that they expected that there should not be material difference between the designed life and duration of the operations of electricity power plant units in the Laiwu Project. Therefore, the duration of Letter of Support is in line with the duration of the operations of electricity power plant units in the Laiwu Project;
- (iii) as advised by the Directors, in respect of the ABS, a domestic rating agency in the PRC was engaged to conduct credit rating on the ABS in accordance with the full life cycle of the ABS, which is designated to be 23 years. During the credit rating process, the credit of the Company will also be taken into consideration. If the Liquidity Support provided by the Company was unable to cover the full life cycle of the ABS, i.e., 23 years, the credit rating of the ABS products would have been adversely affected and the ABS would not be able to be rated in the highest possible grading of AAA. As the credit rating is the fundamental basis and main consideration for eligible investors to subscribe for the ABS, the failure to obtain the AAA rating would materially impede the issuance of the ABS or substantially increase the cost of issuance of the ABS; and

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- (iv) we further identified transactions in respect of provision of liquidity support of listed companies in the PRC relating to asset-backed securities. The duration of the aforesaid liquidity support arrangements is unspecified.

Proposed annual caps

With reference to the Board Letter, the annual cap of the Liquidity Support will be RMB9,529 million per annum during the term of the Liquidity Support.

With reference to the Board Letter, the proposed amount of the annual cap is the sum of estimated amounts of the Performance Support and the Cash Interchange Obligation.

Pursuant to the Letter of Support, the Company agrees to provide Liquidity Support in favour of Shandong Company in respect of Shandong Company's obligation: (i) to provide the Capital Support and the Performance Support under the Operation Support Agreement; and (ii) to perform the Cash Interchange Obligation under the Partnership Agreement, in the event where Shandong Company fails to do so.

A.1 The amount of Performance Support

The estimated amount of Performance Support is RMB5,916 million.

Pursuant to the Operation Support Agreement and as advised by the Directors, the Performance Support is mainly for Laiwu Project Company's external payment obligations as at the accounting date, which is calculated based on the principal and interest of the shareholders' loans provided by the Partnership to Laiwu Project Company.

According to the Partnership Agreement, the Partnership shall acquire from Shandong Company the 92.9% interest in Laiwu Project Company held by it at a consideration of approximately RMB3,998 million. Upon completion of the transfer, the Partnership shall extend the Laiwu Shareholder Loan to Laiwu Project Company, which shall replace Laiwu Project Company's existing indebtedness and shall replenish its working capital. The expected principal amount of the Laiwu Shareholder Loan was approximately RMB5,618 million. As advised by the Directors, Laiwu Project Company recorded (i) outstanding borrowing of approximately RMB5,354 million as at 30 June 2023; and (ii) average monthly coal procurement amounts of approximately RMB390 million for the two years ended 31 December 2022. Therefore, we consider that the expected principal amount of the Laiwu Shareholder Loan (with the purpose of replacement of Laiwu Project Company's existing indebtedness and replenishment Laiwu Project Company's working capital) is justifiable.

Accordingly, the amount of approximately RMB5,618 million was adopted as principal amount of Performance Support.

As advised by the Directors, the interest amount of approximately RMB298 million was determined after considering (i) approximately RMB269 million (being the expected return to the ABS holders based on the size of ABS of RMB7,694 million with expected coupon rate of 3.5% per annum); and (ii) administrative cost (such as tax).

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In addition to the above information, we also searched for asset-backed securities which (i) was similar to the ABS (i.e. which type will be classified as Similar REITs (類REITs) (by way of screening criteria of “Similar REITs” as type of underlying assets from Wind Financial Terminal) and issued on the Shanghai Stock Exchange); (ii) with credit rating of AAA; and (iii) with value date (起息日) from 1 January 2023 to the date of Letter of Support. Based on the information which we obtained from Wind Financial Terminal, there were 13 comparable products met our selection criteria and with available information, which were exhaustive as far as we were aware of. Although the underlying assets or the creditability of the ABS may not be the same as those of the asset-backed securities issuer, the underlying assets information of which was not publicly available due to their private nature, we consider we could analyse the coupon rate of ABS by making reference to the comparable products due to the following reasons: (i) the comparable products can demonstrate the market practices of coupon rates of asset-backed securities (which are similar to the ABS); (ii) both the comparable asset-backed securities and the ABS are classified as Similar REITs (one of the major differences between Similar REITs and Publicly-offered REITs is that Similar REITs will be subscribed by professional investors/institutions by way of non-public issuance; whereas the Publicly-offered REITs will be subscribed by all eligible investors); and (iii) all the comparable products and the ABS are rated AAA rating (note: as mentioned above, the credit rating is the fundamental basis and main consideration for eligible investors to subscribe for the ABS and the failure to obtain the AAA rating would materially impede the issuance of the ABS or substantially increase the cost of issuance of the ABS). Details of the comparable products, which were extracted from Wind Financial Terminal, are as follows:

Security name	Security code	Coupon rate	Credit ranking (as at the issuance)	Value date	Size (RMB'million)	Expected maturity date (Note)
金茂華福-金茂商業卓越2號重慶瑞悅裏資產支持專項計劃優先級資產支持證券	112267.SH	5.4000	AAA	6 January 2023	300	October 2040
國君-通匯-奧斯迪產業園資產支持專項計劃優先A級資產支持證券	199679.SH	4.5000	AAA	19 July 2023	550	July 2041
寶供投資-深圳擔保-倉儲物流第一期資產支持專項計劃優先級資產支持證券	260047.SH	4.0000	AAA	12 September 2023	400	June 2041
平安證券-中鐵建設創業大廈資產支持專項計劃(類REITs)優先級資產支持證券	199318.SH	4.0000	AAA	24 April 2023	619	November 2040
國家電投-貴州蒙江水力發電基礎設施資產支持專項計劃(類REITs)優先級資產支持證券	199510.SH	3.9000	AAA	25 April 2023	2,167	April 2053
中核集團-新華發電2023年新能源基礎設施投資綠色資產支持專項計劃(類REITs)優先級資產支持證券	199694.SH	3.7900	AAA	19 May 2023	3,908	May 2041
元聯東吳-新建元鄰里中心資產支持專項計劃優先級資產支持證券	199284.SH	3.7700	AAA	4 April 2023	1,540	April 2029
國家電投-江西新能源基礎設施資產支持專項計劃(類REITs)優先級資產支持證券	260683.SH	3.6000	AAA	20 September 2023	1,166	September 2038
中金公司-保利發展商用物業第二期資產支持專項計劃優先級資產支持證券	112630.SH	3.5900	AAA	11 May 2023	1,832	May 2041

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Security name	Security code	Coupon rate	Credit ranking (as at the issuance)	Value date	Size (RMB'million)	Expected maturity date (Note)
蘇城元聯蘇州世貿中心資產支持專項計劃優先級資產支持證券	199470.SH	3.5000	AAA	18 April 2023	560	April 2029
國家電投-重慶公司新能源基礎設施投資第2期碳中和綠色資產支持專項計劃(鄉村振興)優先級資產支持證券	260238.SH	3.3800	AAA	19 July 2023	820	May 2041
國家電投-黃河公司能源基礎設施投資黃電風力綠色資產支持專項計劃(類REITs)優先級資產支持證券	260418.SH	3.3200	AAA	18 August 2023	6,959	July 2040
國家電投-湖北電力清潔能源綠色碳中和資產支持專項計劃(類REITs)優先級資產支持證券	260489.SH	3.1700	AAA	25 August 2023	1,905	August 2041

Note: the expected maturity date of comparable products may be different from their mandatory maturity date.

According to our findings, the coupon rate of the comparable products ranged from 3.17% per annum to 5.40% per annum, with average of 3.84% per annum. The expected coupon rate of the ABS (i.e. 3.5% per annum) fell within the aforesaid range and below the average, indicating that the expected coupon rate (i.e. cost of issuance of the ABS) was not overestimated in terms of recent market practices.

In light of the above, we are of the view that the estimated amount of Performance Support of RMB5,916 million is fair and reasonable.

A.2 The amount of Cash Interchange Obligation

The estimated amount of Cash Interchange Obligation is RMB3,613 million per annum.

Under the Partnership Agreement, it is possible for the partners of the Partnership to resolve to conduct the Disposal Distribution (處置分配). Where such Disposal Distribution occurs after Laiwu Project Company has fully discharged the Laiwu Shareholder Loan (or where the Laiwu Shareholder Loan has been disposed by any other means), the Partnership Agreement prescribes that: (i) the assets under the Partnership shall first be distributed to limited partners (i.e. Shandong Company (as the Category B LP) and the Category A LP) in accordance with their respective capital contribution; and (ii) the balance (if any) shall be distributed to the general partner. This is, however, subject to the overriding principle that all non-cash assets of the Partnership (principally, the 92.9% equity interest in Laiwu Project Company) shall only be distributed to Shandong Company (as the Category B LP), while cash assets may be distributed to any partners. It follows that a valuation shall be conducted in respect of the non-cash assets under the Disposal Distribution. The Partnership Agreement provides that if the appraised value of the non-cash assets is more than Shandong Company's capital contribution in such Disposal Distribution scenario, Shandong Company shall make up for the shortfall by paying an equal amount of cash to the Partnership (that is, to discharge the Cash

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Interchange Obligation). Thereafter, all non-cash assets of the Partnership may be distributed to Shandong Company (as the Category B LP) and the cash assets may be distributed to the Category A LP.

Assuming that the valuation of the non-cash assets (i.e. 92.9% equity interest of Laiwu Project Company) equals to the preliminary valuation of Laiwu Project Company as at 30 June 2023 (i.e. approximately RMB3,998 million), Shandong Company shall make up for the shortfall of approximately RMB3,613 million according to the Cash Interchange Obligation.

As the Company agrees to provide Liquidity Support in favour of Shandong Company in respect of Shandong Company's obligation to perform the Cash Interchange Obligation under the Partnership Agreement, in the event where Shandong Company fails to do so, pursuant to the Letter of Support, the maximum amount that the Company will provide as Liquidity Support under the aforesaid scenario would be approximately RMB3,613 million.

In light of the above, we are of the view that the estimated amount of Cash Interchange Obligation of approximately RMB3,613 million is fair and reasonable.

Conclusion on proposed annual caps

As advised by the Directors, (i) the trigger of Capital Support, if it takes place, would be covered by the estimated sum of amounts above; and (ii) the possibility of triggering Capital Support, Performance Support and Cash Interchange Obligation at the same time is minimal. Therefore, the Directors did not estimate the amount of Capital Support separately.

Having considered the above, we are of the view that the proposed annual cap during the term of Letter of Support is fair and reasonable.

Having reviewed and considered the terms of the Letter of Support in particular the key terms as listed above (including the duration of Letter of Support, the proposed annual caps; and no other abnormal term observed), we are of the view that the terms of the Liquidity Support are on normal commercial terms and are fair and reasonable.

LISTING RULES IMPLICATION

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the Liquidity Support must be restricted by the relevant annual caps (if applicable); (ii) the terms of the Liquidity Support (together with the proposed annual caps, where applicable) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Liquidity Support (together with the proposed annual caps, where applicable) must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Liquidity Support (i) have not been approved by the Board; (ii) were not, in all material

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respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps (where applicable).

In the event that the value of the Liquidity Support is anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Liquidity Support, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Liquidity Support and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the Liquidity Support is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Liquidity Support are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Liquidity Support and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1 RESPONSIBILITY STATEMENT

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

2 DISCLOSURE OF INTEREST

(a) Directors and Supervisors of the Company

As at the Latest Practicable Date, none of the Directors, chief executive or supervisors of the Company has interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director, chief executive or supervisor of the Company) had an interest or short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any other member of the Company:

Name of Shareholder	Class of Shares	Number of Shares held (Share)	Capacity	Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's domestic shares	Approximate Percentage of shareholding in the Company's total issued H Shares
HIPDC ^(Note 2)	Domestic shares	5,066,662,118 (L)	Beneficial owner	32.28%(L)	46.07%(L)	--
Huaneng Group ^(Note 3)	Domestic shares	1,555,124,549 (L)	Beneficial owner	9.91%(L)	14.14%(L)	--
Huaneng Group ^(Note 4)	H Shares	603,596,000 (L)	Beneficial owner	3.84%(L)	--	12.84%(L)
Shanghai Wisdomshire Asset Management Co., Ltd.	H Shares	424,986,000 (L)	Investment manager	2.71%(L)	--	9.04%(L)

Note:

1. The letter “L” denotes a long position. The letter “S” denotes a short position. The letter “P” denotes interest in a lending pool.
2. As at the Latest Practicable Date, Huaneng Group holds 75% direct interest and 25% indirect interest in HIPDC.
3. Besides the 1,555,124,549 domestic shares, Huaneng Group held 9,994,199 domestic shares through its controlling subsidiary, Huaneng Finance.
4. Huaneng Group held 472,000,000 H shares through its wholly-owned subsidiary, Hua Neng Group HK, and 131,596,000 H shares through its indirect wholly-owned subsidiary, Huaneng Treasury.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, supervisors and senior executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as at the Latest Practicable Date as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no Director or supervisor is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Directors

- (i) Mr. Wang Kui is an assistant to the President of Huaneng Group;
- (ii) Mr. Lu Fei is the Deputy Chief Economist of Huaneng Group; and

Supervisors

- (iii) Mr. Xia Aidong is the director of Audit Department of Huaneng Group.

3 NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or business position of the Company and its subsidiaries since 31 December 2022, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

4 MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any material litigation or arbitration and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company and its subsidiaries.

5 EXPERT'S QUALIFICATION AND CONSENTS

The following expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, reports or statements and references to its name and logo in the form and context in which they are included:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO

As at the Latest Practicable Date, Gram Capital has given its consent and has not withdrawn its consent to the publication of this circular, including the inclusion of its letter and references to its name in the form and context in which it appears.

To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, the abovementioned expert was not beneficially interested in the share capital of the Company and its subsidiaries nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the Latest Practicable Date, the abovementioned expert did not have any direct or indirect interest in any assets which had since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

6 SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or its subsidiaries which does not expire or is not terminable by the Company or its subsidiaries within one year without payment of compensation, other than statutory compensation.

7 INTERESTS OF DIRECTORS OR SUPERVISORS IN THE ASSETS OR CONTRACTS OF THE COMPANY AND ITS SUBSIDIARIES

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any interest in any assets which had since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

As at the Latest Practicable Date, none of the Directors or supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

8 INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates has interests in the businesses, other than being a Director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company (required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules should they be controlling shareholders).

9 MISCELLANEOUS

- (a) Mr. Huang Chaoquan is the Company Secretary and Board Secretary of the Company.
- (b) The legal address of the Company is Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, PRC. The H Share registrar of the Company in Hong Kong is Hong Kong Registrars Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) In the case of any discrepancy, the English text of this circular and form of proxy shall prevail over the Chinese text.

10 DOCUMENTS ON DISPLAY

A copy of the following documents will be published on the Hong Kong Stock Exchange's website and the Company's own website for a period of 14 days from the date of this circular:

- (a) The Letter of Support