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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

LETTER OF SUPPORT

On 18 July 2024 (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.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Company is held as to 20% by Huaneng Group, which is a controlling shareholder of the Company. Hence, Shandong Company is a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and 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 the highest applicable percentage ratio under Rule 14.07 of the Hong Kong Listing Rules in respect of the highest proposed annual cap exceeds 0.1% but is less than 5%, the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

References are made to the announcement and the circular of the Company dated 10 October 2023 and 20 October 2023, respectively, in relation to the execution of the 2023 Letter of Support by the Company in favour of Shandong Company. As disclosed therein, the 2023 Letter of Support and the transactions contemplated thereunder (including the then proposed annual caps) were subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the Company had complied with the Independent Shareholders' approval requirements in respect of the transactions contemplated under the 2023 Letter of Support, the Company is not required to aggregate the transactions contemplated under the Letter of Support with that under the 2023 Letter of Support.

Pursuant to Rule 14A.52 of the Hong Kong Listing Rules, as the term of the Letter of Support exceeds three years, the Company has appointed Gram Capital to explain why a term longer than three years is required and to confirm that it is a normal business practice for agreements of this type to be of such duration.

I. THE LETTER OF SUPPORT

Background

ABS transaction structure

The Group contemplates to securitise certain of its infrastructure assets (that is, Yantai Project, an electricity power plant located in Yantai, 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 RMB3,796 million. As at the date of this announcement: (1) Yantai Project is wholly-owned by Yantai Project Company; (2) Yantai Project Company is in turn wholly-owned by Shandong Company (a subsidiary of the Company); and (3) Shandong Company is 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:

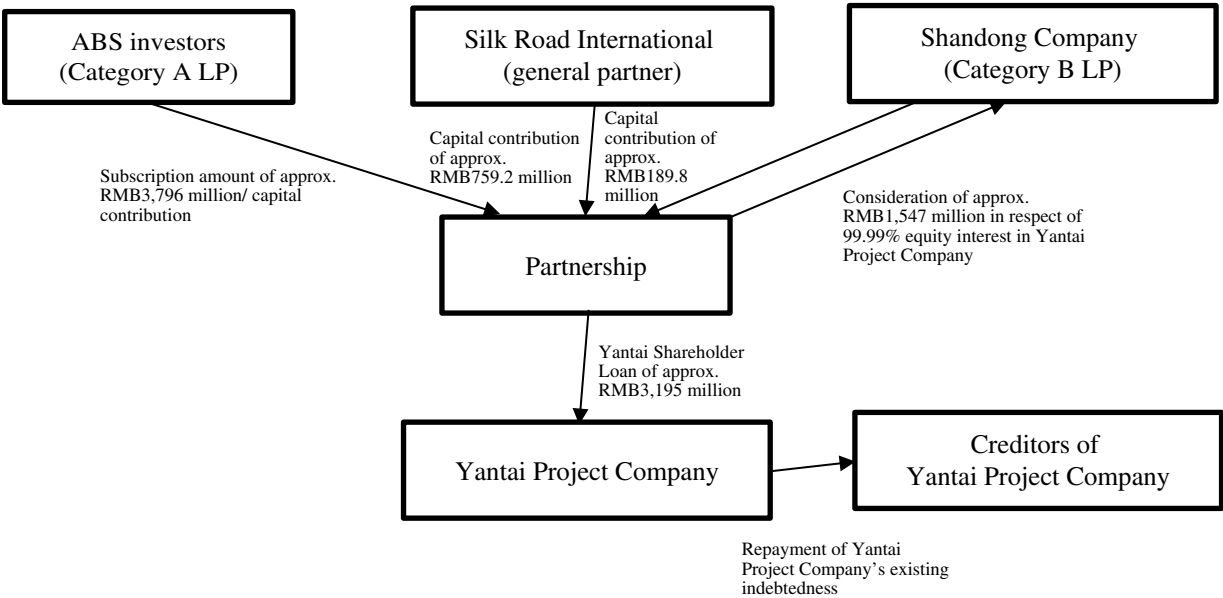
- (1) **Establishment of the Partnership:** the Partnership shall be established in the PRC pursuant to the Partnership Agreement by: (1) Silk Road International (a wholly-owned subsidiary of Shandong Company and a subsidiary of the Company as at the date of this announcement) as the general partner, holding approximately 16% interest; (2) Kangfu Leasing (an Independent Third Party) as the Category A LP, holding approximately 80% interest; and (3) Shandong Company as the Category B LP, holding approximately 4% interest. The registered capital of the Partnership shall be RMB4,745 million and as such, the respective approximate amounts of capital contribution by the partners shall be RMB759.2 million (Silk Road International), RMB3,796 million (Category A LP) and RMB189.8 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 RMB3,796 million. Upon the ABS issuance, Kangfu Leasing 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;

- (3) **Partnership acquiring interest in Yantai Project Company:** after all partners have duly made capital contributions to the Partnership, the Partnership shall acquire from Shandong Company 99.99% equity interest in Yantai Project Company held by it, at a consideration of approximately RMB1,547 million (based on the preliminary valuation of Yantai Project Company as at 31 March 2024 being the benchmark date of approximately RMB1,548 million). Upon completion of the transfer, Yantai Project Company shall be owned as to 99.99% by the Partnership and 0.01% by Shandong Company, respectively; and
- (4) **Partnership extending the Yantai Shareholder Loan to Yantai Project Company:** after acquiring the interest in Yantai Project Company, the Partnership shall extend the Yantai Shareholder Loan to Yantai Project Company, which shall replace Yantai Project Company’s existing indebtedness. The principal amount of the Yantai Shareholder Loan is expected to be approximately RMB3,195 million.

Note:

- 1. The 80% interest held by Kangfu Leasing 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 31 March 2024, the preliminary valuation of the entire equity interest in Yantai Project Company was approximately RMB1,548 million and the book value of shareholder's equity of the Yantai Project was approximately RMB922.3 million. For the years ended 31 December 2022 and 2023, Yantai Project Company recorded net loss (before taxation, audited) of RMB329.8 million and net profit (before taxation, audited) of RMB101.6 million, respectively, and net loss (after taxation, audited) of RMB248.4 million and net profit (after taxation, audited) of RMB72.5 million, respectively.

The maturity period of the ABS is expected to be 25 years. The expected issuance size of the ABS of approximately RMB3,796 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 RMB1,547 million for the acquisition of 99.99% equity interest in Yantai Project Company; (2) Yantai Shareholder Loan's principal amount of RMB3,195 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 Yantai Project Company and 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 RMB3,796 million), among which approximately RMB3,195 million will be used to repay existing interest-bearing liabilities of Yantai Project Company, and the remainder of approximately RMB601 million will be used as working capital and for investment purposes. The estimated net funds collected from the issuance of the ABS of approximately RMB355 million is derived from (1) the consideration of approximately RMB1,547 million to be received by Shandong Company in relation to the transfer of 99.99% equity interest in Yantai Project Company minus (2) Shandong Company's and Silk Road International's respective capital contributions to the Partnership of RMB189.8 million and RMB759.2 million and (3) the repayment of outstanding interest bearing liabilities of Yantai Project Company of approximately RMB243 million by internal funds. If the total amount of ABS issuance proceeds of RMB3,796 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 0.70%. The aforesaid expected financial effects: (1) are based on information available to the Company as at the date of this announcement; (2) are for illustrative purposes only; and (3) do 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:** refers to the distribution of revenue, net profit and tax refund payments (if any) of the Partnership;
- (2) **Disposal Distribution:** refers to the distribution of distributable assets which primarily include repayments from the Yantai Shareholder Loan, income from disposal of Yantai Project, income from disposal of other assets, and unused funds; and
- (3) **Liquidation Distribution:** refers to distribution of any remaining distributable assets after the Disposal Distribution.

Under the Partnership Agreement, decisions on Distributions and withdrawal are to be made 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: (1) Revenue Distribution involves only distribution of cash, while Disposal Distribution may involve distribution of cash and non-cash assets (principally, 99.99% equity interest in Yantai Project Company); and (2) 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 ensure that the equity interest in Yantai 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 Yantai Project Company, it may so choose not to conduct any such Disposal Distribution).

Operation Support

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

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

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

Upon the request of Shandong Company, with the approval by the Manager, Yantai Project Company may provide loans to Shandong Company (“Loans”) only when certain conditions, including but not limited to that Yantai Project Company has sufficient cashflow and funds, are fulfilled.

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. Where such Disposal Distribution occurs after Yantai Project Company has fully discharged the Yantai Shareholder Loan (or where the Yantai Shareholder Loan has been disposed by any other means), the Partnership Agreement prescribes that: (1) 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 (2) 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, 99.99% equity interest in Yantai 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, non-cash assets of the Partnership (principally, 99.99% equity interest in Yantai Project Company) shall only be distributed to Shandong Company when a 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 (RMB189.8 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 Yantai Project Company has fully discharged the Yantai Shareholder Loan (or where the Yantai 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 Yantai Project Company, while under Cash Interchange Obligation, Shandong Company is to provide funds to the Partnership.

Security (including the Letter of Support)

To secure the repayment of the Yantai Shareholder Loan, Yantai Project Company shall pledge, among others, all operating revenue from Yantai Project (including but not limited to revenue from sales of power and sales of heat, as well as the rights as the loans' creditor, if any) in favour of the Partnership.

In addition: (1) Shandong Company, the designated operation support institution for Yantai Project Company under the ABS scheme, shall provide the Operation Support (as elaborated above) and bear the Cash Interchange Obligation (as elaborated above) pursuant to an Operation Support Agreement; and (2) 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.

The continuing connected transactions contemplated under the Letter of Support

On 18 July 2024 (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 : 18 July 2024
- Parties involved : issued by the Company to Shandong Company
- Nature of transactions : the Company shall 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 Yantai 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 2019, the term of the Liquidity Support provided by the Company shall expire in 2049, that is, the proposed term shall be 25 years from 2024.

Proposed annual cap

The proposed annual cap shall be RMB4,666 million each year (from 2024 until 2049, 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: (1) 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 (2) the possibility of the concurrent occurrence of the Performance Support Event, the Cash Interchange Obligation and the Capital Support Event, is remote.

Estimated amount of the Performance Support

The estimated amount of the Performance Support adopted in arriving at the proposed annual cap is RMB3,309 million.

As explained above in this announcement, the Performance Support is triggered at the time when, essentially, Yantai 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 Yantai Shareholder Loan. Given that: (1) as discussed above in this announcement, the Yantai Shareholder Loan shall be extended from the Partnership to Yantai Project Company to replace Yantai Project Company's existing indebtedness; and (2) as at 31 March 2024, the aggregate amount of the then indebtedness of Yantai Project Company required was approximately RMB3,195 million, RMB3,195 million was adopted as the principal amount of the Yantai Shareholder Loan for the purpose of estimation. As to the amount of interests, the Directors adopted the amount of RMB114 million, taking into account: (1) the amount of RMB114 million, being the annual expected return to the ABS holders based on the expected size of ABS issuance of approximately RMB3,796 million with the expected coupon rate of 3.0% per annum; and (2) administrative costs (such as tax).

While the aggregate principal and interests of the Yantai Shareholder Loan are adopted as the estimated amount of the Performance Support, this does not indicate that the Company will necessarily bear the entire Yantai Shareholder Loan for Yantai Project Company, as this is merely a conservative estimation based on currently available information. The Company wishes to emphasise that: (1) both prior to and after the ABS issuance, Yantai 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 (2) 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 RMB1,357 million.

As discussed above in this announcement, the Cash Interchange Obligation concerns the possible difference between the appraised value of the Partnership's non-cash assets (principally, 99.9% equity interest in Yantai 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 RMB1,357 million was adopted, being: (1) the preliminary valuation of 99.99% equity interest in Yantai Project Company as at 31 March 2024 in the amount of approximately RMB1,547 million, minus (2) the expected capital contribution of Shandong Company (as the Category B LP) to the Partnership of approximately RMB190 million, for the principal reason that the Partnership is not expected to hold any significant non-cash assets other than the 99.99% equity interest in Yantai Project Company. As such, the Board is of the view that the estimation is fair and reasonable.

II. REASONS FOR AND BENEFITS 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 will be engaged to conduct credit rating on the ABS in accordance with the full life cycle of the ABS, which is designated to be 25 years. During the credit rating process, the credit of the Company will also be taken into consideration. In the event where the Liquidity Support provided by the Company is unable to cover the full life cycle of the ABS, that is, 25 years, the credit rating of the ABS products will be adversely affected and the ABS may 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 will 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.

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 RMB3,796 million), among which approximately RMB3,195 million will be used to repay existing interest-bearing liabilities of Yantai Project Company, and the remainder of approximately RMB601 million will be used as working capital and for investment purposes. If the total amount of ABS issuance proceeds of RMB3,796 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 0.70%. Thus, the ABS issuance will enable the Group to improve its financial performance. The aforesaid expected financial effects: (1) are based on information available to the Company as at the date of this announcement; (2) are for illustrative purposes only; and (3) do not purport to represent how the Group's financial position will be upon completion of the ABS issuance.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Letter of Support and the transactions contemplated thereunder (including the proposed annual cap and the basis thereof) are fair and reasonable, 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.

III. INFORMATION ON THE PARTIES

The Company, the Group and Huaneng Group

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 137,121 MW as at 31 March 2024.

As at the date of this announcement, Huaneng Group holds a 75% direct interest and a 25% indirect interest in HIPDC, while HIPDC, being the direct controlling shareholder of the Company, holds 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

date of this announcement, Huaneng Group also holds a 9.91% direct interest in the Company and 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.

Shandong Company

Shandong Company is a subsidiary of the Company which is held as to 80% by the Company and 20% by Huaneng Group as at the date of this announcement. 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; and thermal power technical consulting services.

IV. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Company is held as to 20% by Huaneng Group, which is a controlling shareholder. Hence, Shandong Company is a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and 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 the highest applicable percentage ratio under Rule 14.07 of the Hong Kong Listing Rules in respect of the highest proposed annual cap exceeds 0.1% but is less than 5%, the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

References are made to the announcement and the circular of the Company dated 10 October 2023 and 20 October 2023, respectively, in relation to the execution of the 2023 Letter of Support by the Company in favour of Shandong Company. As disclosed therein, the 2023 Letter of Support and the transactions contemplated thereunder (including the then proposed annual caps) were subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the Company had complied with the Independent Shareholders' approval requirements in respect of the transactions contemplated under the 2023 Letter of Support, the Company is not required to aggregate the transactions contemplated under the Letter of Support with that under the 2023 Letter of Support.

Pursuant to Rule 14A.52 of the Hong Kong Listing Rules, as the term of the Letter of Support exceeds three years, the Company has appointed Gram Capital as the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is a normal business practice for agreements of this type to be of such duration.

In assessing the reasons for the duration of the Letter of Support to be longer than three years, Gram Capital has considered the following factors:

- (1) 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) the Directors expected that there should not be material difference between the designed life and duration of the operations of electricity power plant units in the Yantai Project. Therefore, the duration of Letter of Support is in line with the duration of the operations of electricity power plant units in the Yantai Project; and
- (3) the duration of Letter of Support is the same as the designated full life cycle of the ABS. In respect of the ABS, a domestic rating agency in the PRC will be engaged to conduct credit rating on the ABS in accordance with the full life cycle of the ABS, which is designated to be 25 years. During the credit rating process, the credit of the Company will also be taken into consideration. In the event where the Liquidity Support provided by the Company is unable to cover the full life cycle of the ABS, that is, 25 years, the credit rating of the ABS products will be adversely affected and the ABS may 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 will materially impede the issuance of the ABS or substantially increase the cost of issuance of the ABS.

In considering whether it is normal business practice for agreements of similar nature with the Letter of Support to have a term of such duration (i.e. expected to be 25 years), Gram Capital performed the following work:

- (1) Gram Capital reviewed a letter of support dated 10 October 2023, which was executed by the Company in favour of Shandong Company, pursuant to which the Company shall provide liquidity support to Shandong Company to cover operation support and cash interchange obligation in the event where Shandong Company fails to do so. The duration of aforesaid letter of support is 23 years; and
- (2) Gram Capital identified and reviewed eight transactions of provision of liquidity support by listed companies in the PRC relating to asset-backed securities. The durations of the aforesaid liquidity support arrangements are (i) 20 years (for one transaction); or (ii) unspecified (for seven transactions).

Taking into account of the above, Gram Capital confirms that the duration of the 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.

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, Wang Zhijie, Huang Lixin, Du Daming, Zhou Yi and Li Lailong, 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: (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 to the Company than terms available from Independent Third Parties); and (3) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

“2023 Letter of Support”	the letter of support executed by the Company in favour of Shandong Company on 10 October 2023, details of which were disclosed in the announcement and the circular of the Company dated 10 October 2023 and 20 October 2023, respectively
“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

“Capital Support”	upon the occurrence of the Capital Support Event, the obligation of Shandong Company to provide funding to Yantai Project Company under the Operation Support Agreement
“Capital Support Event”	the event where Yantai 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 “ <i>I. Letter of Support – Background – Cash Interchange Obligation</i> ” in this announcement
“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
“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 “ <i>I. Letter of Support – Background – Distributions under the Partnership</i> ” in this announcement
“Distribution(s)”	as further described in “ <i>I. Letter of Support – Background – Distributions under the Partnership</i> ” in this announcement
“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Financial Adviser” or “Gram Capital”	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 the Company pursuant to the Rule 14A.52 of the Hong Kong Listing Rules in respect of the Letter of Support and the transactions contemplated thereunder
“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)
“Kangfu Leasing”	China Kangfu International Leasing Co., Ltd.* (中國康富國際租賃股份有限公司), an Independent Third Party
“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

“Liquidity Support”	the liquidity support to be provided by the Company to Shandong Company under the Letter of Support
“Liquidation Distribution”	as further described in “ <i>I. Letter of Support – Background – Distributions under the Partnership</i> ” in this announcement
“Manager”	China Securities Co., Ltd (中信建投證券股份有限公司), being the manager of the ABS
“Operation Support Agreement”	the operation support agreement to be entered into among Shandong Company, the Partnership, Yantai Project Company and the Manager, pursuant to which Shandong Company shall provide Operation Support to Yantai Project Company
“Operation Support”	Capital Support and Performance Support
“Partnership”	a partnership enterprise to be established in the PRC by: (1) Silk Road International as the general partner, holding approximately 16% interest; (2) Shandong Company as the Category B LP, holding approximately 4% interest; and (3) Kangfu Leasing 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 Kangfu Leasing, 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 Yantai Project Company under the Operation Support Agreement
“Performance Support Event”	the event where: upon audit being conducted against Yantai Project Company, the balance in Yantai Project Company’s bank account is found to be insufficient to enable Yantai Project Company to comply with all of its external payment obligations
“PRC” or “China”	the People’s Republic of China
“Revenue Distribution”	as further described in “ <i>I. Letter of Support – Background – Distributions under the Partnership</i> ” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“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 is held as to 80% by the Company and 20% by Huaneng Group as at the date of this announcement, 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 date of this announcement
“subsidiary(ies)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Underlying Assets”	includes, principally, 99.99% equity interest in Yantai Project Company, the rights under the Yantai Shareholder Loan, and the power plant owned and operated by Yantai Project Company
“Yantai Project”	an electricity power plant located in Yantai, Shandong Province, the PRC, being the underlying infrastructure assets of the ABS
“Yantai Project Company”	Huaneng Yantai Bajiao Thermal Power Co., Ltd.* (華能煙台八角熱電有限公司), a subsidiary of the Company as at the date of this announcement
“Yantai Shareholder Loan”	the shareholder loan that shall be extended from the Partnership to Yantai Project Company under the ABS scheme
“%”	per cent

By Order of the Board
Huaneng Power International, Inc.
Huang Chaoquan
Company Secretary

As at the date of this announcement, the Directors are:

Wang Kui (*Executive Director*)
Wang Zhijie (*Executive Director*)
Huang Lixin (*Executive Director*)
Du Daming (*Non-executive Director*)
Zhou Yi (*Non-executive Director*)
Li Lailong (*Non-executive Director*)
Cao Xin (*Non-executive Director*)
Li Haifeng (*Non-executive Director*)
Ding Xuchun (*Non-executive Director*)
Wang Jianfeng (*Non-executive Director*)

Xia Qing (*Independent non-executive Director*)
He Qiang (*Independent non-executive Director*)
Zhang Liying (*Independent non-executive Director*)
Zhang Shouwen (*Independent non-executive Director*)
Dang Ying (*Independent non-executive Director*)

Beijing, the PRC

18 July 2024

* *For identification purposes only*