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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Huadian Power International Corporation Limited*** (the “Company”), you should at once hand this circular and the proxy form to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer 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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華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the “PRC”))

(Stock Code: 1071)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND DISCLOSEABLE TRANSACTIONS;
AND
REVISION OF ANNUAL CAPS**

**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 is set out on pages 5 to 24 of this circular. A letter from the Independent Board Committee in relation to the Major Continuing Connected Transactions is set out on page 25 of this circular. A letter from Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Major Continuing Connected Transactions, is set out on pages 26 to 41 of this circular.

The EGM will be held at 2:30 p.m. on Wednesday, 30 October 2024 at Huabin International Hotel, No. 4 Xuanwumennei Street, Xicheng District, Beijing, the PRC. A notice convening the EGM is set out on pages 45 to 47 of this circular.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish.

8 October 2024

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DEFINITIONS

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

“Board”	the board of directors of the Company;
“China Huadian”	China Huadian Corporation Limited* (中國華電集團有限公司), a wholly PRC state-owned enterprise and the Controlling Shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries as well as the companies whose 30% or more equity interests are directly or indirectly held by China Huadian;
“China Huadian Group”	China Huadian Corporation Limited* (中國華電集團有限公司) and its subsidiaries, which for the purpose of this circular excludes the Group;
“Commercial Factoring Services Framework Agreement”	the commercial factoring services framework agreement entered into between Huadian Factoring and the Company on 22 August 2024 in relation to the continuing provision of commercial factoring business services by Huadian Factoring to the Group;
“Company”	Huadian Power International Corporation Limited* (華電國際電力股份有限公司), a Sino-foreign investment joint stock company limited by shares incorporated in the PRC, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Continuing Connected Transactions”	the Commercial Factoring Services Framework Agreement (and its relevant proposed annual caps) entered into between Huadian Factoring and the Company; the Financial Services Framework Agreement (and its relevant proposed annual caps) entered into between Huadian Finance and the Company; and the Revision of Annual Caps;

DEFINITIONS

“Continuing Connected Transactions Agreements”	collectively the Commercial Factoring Services Framework Agreement, the Financial Services Framework Agreement and the Supplemental Agreement regarding the Finance Lease Services Framework Agreement;
“Controlling Shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting to be held by the Company to consider and approve, among other things, the Continuing Connected Transactions;
“Existing Commercial Factoring Services Framework Agreement”	the commercial factoring services framework agreement entered into between Huadian Factoring and the Company on 26 October 2021 in relation to the provision of factoring business services by Huadian Factoring to the Group;
“Existing Finance Lease Services Framework Agreement”	the finance lease services framework agreement entered into between Huadian Financial Leasing and the Company on 30 August 2023 in respect of the Finance Leases;
“Existing Financial Services Framework Agreement”	the financial services framework agreement entered into between Huadian Finance and the Company on 26 October 2021 in relation to the provision of financial services by Huadian Finance;
“Factoring”	the Group transferring receivables (including but not limited to electricity charges receivable, heating charges receivable, etc.) to Huadian Factoring for financing;
“Finance Leases”	the finance lease services provided by Huadian Financial Leasing to members of the Group pursuant to the Existing Finance Lease Services Framework Agreement;
“Financial Services Framework Agreement”	the financial services framework agreement entered into between Huadian Finance and the Company on 22 August 2024 in relation to the continuing provision of financial services by Huadian Finance;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Huadian Factoring”	Huadian Commercial Factoring (Tianjin) Co., Ltd.* (華電商業保理(天津)有限公司), a commercial factoring enterprise approved by the Tianjin Finance Bureau, a wholly-owned subsidiary of China Huadian, the Controlling Shareholder of the Company;
“Huadian Finance”	China Huadian Corporation Finance Company Limited* (中國華電集團財務有限公司), a limited liability company established in the PRC;
“Huadian Financial Leasing”	Huadian Financial Leasing Company Limited* (華電融資租賃有限公司), a subsidiary of China Huadian;
“Independent Board Committee”	the independent committee of the Board, comprising independent non-executive Directors, namely Mr. Feng Zhenping, Mr. Li Xingchun, Mr. Wang Yuesheng and Ms. Shen Ling, appointed to advise the Independent Shareholders on the Major Continuing Connected Transactions pursuant to the Hong Kong Listing Rules;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, which has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Major Continuing Connected Transactions;
“Independent Shareholder(s)”	the Shareholders who are not required to abstain from voting for approving the Continuing Connected Transactions Agreements and the continuing connected transactions contemplated thereunder, and the relevant proposed annual caps;

DEFINITIONS

“Latest Practicable Date”	30 September 2024, being the latest practicable date for ascertaining certain information contained in this circular;
“Major Continuing Connected Transactions”	the Commercial Factoring Services Framework Agreement and transactions contemplated thereunder (and its relevant proposed annual caps) as well as the deposit services contemplated under the Financial Services Framework Agreement (and its relevant proposed annual caps);
“NFRA”	National Financial Regulatory Administration, the former China Banking and Insurance Regulatory Commission;
“Original Annual Cap(s)”	the annual caps from 2025 to 2026 under the Existing Finance Lease Services Framework Agreement;
“PBOC”	the People’s Bank of China;
“PRC”	the People’s Republic of China;
“Reverse Factoring”	the financial service involving the pre-payment from Huadian Factoring to its coal or other suppliers confirmed by the Group, with the purposes of lowering the cost of coal procurement of the Group or extending the payment period;
“Revision of Annual Caps”	the revision of the Original Annual Caps under the Existing Finance Lease Services Framework Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	share(s) with a par value of RMB1.00 each in the share capital of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Supplemental Agreement”	the supplemental agreement of the Existing Finance Lease Services Framework Agreement; and
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))

(Stock Code: 1071)

Directors:

Dai Jun (*Chairman, Executive Director*)
Zhu Peng (*Vice Chairman, Non-executive Director*)
Chen Bin (*Executive Director*)
Zhao Wei (*Non-executive Director*)
Zeng Qinghua (*Non-executive Director*)
Cao Min (*Non-executive Director*)
Wang Xiaobo (*Non-executive Director*)
Li Guoming (*Executive Director*)
Feng Zhenping (*Independent Non-executive Director*)
Li Xingchun (*Independent Non-executive Director*)
Wang Yuesheng (*Independent Non-executive Director*)
Shen Ling (*Independent Non-executive Director*)

Office address:

No. 2 Xuanwumennei Street
Xicheng District
Beijing, the PRC

Place of business in Hong Kong:

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

8 October 2024

To the Shareholders,

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND DISCLOSEABLE TRANSACTIONS;
AND
REVISION OF ANNUAL CAPS**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 22 August 2024 in relation to the Continuing Connected Transactions.

The purpose of this circular is to provide the Shareholders with information in respect of the resolutions regarding the following matters to be proposed at the EGM to enable the Shareholders to make their informed decisions as to how to vote at the EGM:

- (i) the continuing connected transactions under the Commercial Factoring Services Framework Agreement and the proposed annual caps thereunder;

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- (ii) the continuing connected transactions under the Financial Services Framework Agreement and the proposed annual caps thereunder; and
- (iii) the Revision of Annual Cap under the Existing Finance Lead Services Framework Agreement.

II. BACKGROUND

References are made to (i) the announcement dated 26 October 2021 and the circular dated 24 November 2021 of the Company in relation to the Existing Commercial Factoring Services Framework Agreement, which will expire on 31 December 2024, the Existing Financial Services Framework Agreement, which will expire on 31 December 2024, and each of the continuing connected transactions thereunder; and (ii) the announcement dated 30 August 2023 and the circular dated 14 November 2023 of the Company in relation to, among other things, the Existing Finance Lease Services Framework Agreement, which will expire on 31 December 2026, and the continuing connected transactions thereunder.

The Company proposes to (i) enter into the Commercial Factoring Services Framework Agreement with Huadian Factoring to renew the continuing connected transactions under the Existing Commercial Factoring Services Framework Agreement; (ii) enter into the Financial Services Framework Agreement with Huadian Finance to renew the continuing connected transactions under the Existing Financial Services Framework Agreement; and (iii) revise the annual cap for Direct Lease for 2025 to 2026 under the Existing Finance Lease Services Framework Agreement from RMB1.5 billion to RMB2 billion, and the annual cap for Sale and Leaseback from RMB500 million to RMB2 billion.

III. COMMERCIAL FACTORING SERVICES FRAMEWORK AGREEMENT

The Board hereby announces that the Commercial Factoring Services Framework Agreement was entered into by Huadian Factoring and the Company on 22 August 2024, pursuant to which Huadian Factoring will continue to provide the Group with factoring business services, for a term of three (3) years from 1 January 2025 to 31 December 2027.

1. Principal Terms

The principal terms of the Commercial Factoring Services Framework Agreement are set out as follows:

Date:	22 August 2024
Parties:	The Company (on behalf of the Group); and Huadian Factoring

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Transactions: Pursuant to the Commercial Factoring Services Framework Agreement, Huadian Factoring agrees to provide the Group with commercial factoring services as required by the Company, including Reverse Factoring and Factoring services.

The parties thereto may, during the term of the Commercial Factoring Services Framework Agreement, enter into specific factoring contracts in accordance with the terms set forth in the Commercial Factoring Services Framework Agreement.

Conditions Precedent: The Commercial Factoring Services Framework Agreement shall take effect upon approval by Independent Shareholders at the general meeting.

2. Pricing Principles and Internal Procedures

The fee charged for the factoring services provided by Huadian Factoring to the Group is based on the Loan Prime Rate (LPR) for the same period with moderate fluctuation, but shall: (i) not exceed those charged by other commercial factoring companies in the PRC for the same period, with the same maturity, and equivalent services; and (ii) not exceed those charged for the same type of services provided by Huadian Factoring to other members of the same type within China Huadian Group. The specific fee rate shall be determined under the specific agreements to be signed by the parties based on the aforesaid principles. Among them, Huadian Factoring will not charge the Group any fee for the Reverse Factoring services to be provided to the Group. The Group may decide whether to sign a factoring service agreement with Huadian Factoring with or without recourse. The fees charged by Huadian Factoring for factoring services with recourse will be lower than those charged for factoring services without recourse, so the relevant subsidiaries of the Group can decide the type of factoring services based on their financing needs.

Before entering into any specific agreement under the Commercial Factoring Services Framework Agreement, the Company will, according to the following procedures, ensure that the terms offered by relevant connected persons of the Company are the most favourable ones:

- (i) In practice, relevant fees charged for the factoring services shall be agreed upon and confirmed by the parties thereto, and determined after arm's length negotiations by reference to prevailing market prices and current market conditions. To be specific, the relevant executives of the relevant departments (such as the finance assets department) of the Company will review prices for the same period and other relevant terms offered by at least two independent third parties before the commencement of relevant transactions. In selecting two independent third parties, the Company primarily considers independent third parties with similar qualifications that can offer the same term and the same type of business for comparison. By reference to the Loan Prime Rate (LPR) for the same period, the relevant executives compare with rates charged for the same type of services

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provided by Huadian Factoring to other members of the same type within China Huadian Group, and ensure that the terms offered by relevant connected persons of the Company are fair and reasonable and comparable to those offered by independent third parties; and where the terms offered by independent third parties are more favourable to the Company, such terms will be adopted by the Company. At the same time, Huadian Factoring promises to ensure that the service fee is fair and reasonable, at least not higher than the quotation by two independent third parties for this type of service and not higher than the quotation of the same type of service provided by it to other member units of the same type within China Huadian Group;

- (ii) The Company will ensure that relevant prices are fair and reasonable for the Company and its Shareholders as a whole, by reference to the historical prices and price trend of relevant factoring business services; and
- (iii) The supervision department of the Company will periodically review and inspect the process of relevant continuing connected transactions.

By implementing the above procedures, the Directors are of the view that the Company has established sufficient internal control measures to ensure the pricing basis of each specific agreement to be entered into pursuant to the Commercial Factoring Services Framework Agreement will be on normal commercial terms, fair and reasonable, also in compliance with the pricing policy of the Company and in the interests of the Company and its Shareholders as a whole.

In negotiating the specific agreements, the financial assets department of the Company shall be responsible for reviewing the specific agreements to be entered into between the Group and Huadian Factoring, so as to ensure that these specific agreements will be entered into in accordance with the terms set forth in the Commercial Factoring Services Framework Agreement.

In addition, the Group will concurrently collect and record the transaction amounts upon its receipt of confirmation from Huadian Factoring on the proposed specific factoring businesses to be carried out under the Commercial Factoring Services Framework Agreement, for the purpose of monitoring the relevant connected transactions volume in a timely manner to ensure the transaction amount not exceeding the proposed annual caps.

The independent non-executive Directors of the Company will conduct an annual review with respect to the continuing connected transactions of the Company throughout the preceding financial year and recognize the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Hong Kong Listing Rules, to ensure that those transactions have been entered into on normal commercial terms or better and carried out pursuant to relevant agreements governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

The external auditor of the Company will report by issuing a letter to the Board every year on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions (including the transactions contemplated under the Commercial Factoring Services Framework Agreement) of the Company conducted during the preceding financial year pursuant to the Hong Kong Listing Rules.

3. Historical Amounts and Existing Annual Caps

The actual amounts of the historical transactions under the Existing Commercial Factoring Services Framework Agreement for the two (2) years ended 31 December 2023 and for the six months ended 30 June 2024 did not exceed the annual caps under the Existing Commercial Factoring Services Framework Agreement of RMB7.5 billion.

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024
		<i>(RMB billion)</i>	
Amounts incurred from commercial factoring services	3.876	4.142	1.829

4. Proposed Annual Caps and Basis of Determination

The Directors propose the annual caps (including any fee to be charged by Huadian Factoring to the Group) of RMB7.5 billion for the transactions contemplated under the Commercial Factoring Services Framework Agreement for the three years ending 31 December 2027. The annual caps remained the same as those under the Existing Commercial Factoring Services Framework Agreement.

The aforesaid proposed annual caps are determined by reference to the following factors:

- (i) Reverse Factoring businesses include thermal coal factoring business and Huadian e Xin (華電信) business. In arriving at the annual caps in relation to the Reverse Factoring businesses, the Company has taken into account the amount of purchase of thermal coal by the Group for the past two years, the size of thermal coal suppliers, their ability in terms of turnover of coal payments and their demand for the factoring businesses, the amount of trade payables of the Group other than for coal for the past two years, the demand of suppliers for turnover of capital, and the service capacity of Huadian Factoring. The amount of Reverse Factoring businesses to be incurred is expected to be approximately RMB6.5 billion, comprising (i) estimated demand of RMB5.5 billion arising from coal procurement by the Group from independent suppliers in each year from 2025 to 2027 (the transactions are expected to involve the Reverse Factoring arrangement) which was calculated based on the coal procurement volume and estimated average price for the year ended

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31 December 2023 and the six months ended 30 June 2024; and (ii) the estimated demand of RMB1 billion arising from the potential transfer of the Group's suppliers' certain receivables (i.e. the Group's payable); the actual amount is subject to the Group's needs;

- (ii) Factoring businesses are carried out based on electricity and heating charges receivable by the Group. As at 30 June 2024, the Group's trade receivable and bill receivable amounted to approximately RMB10.469 billion, including approximately RMB8.521 billion from electricity charges and bill receivable and RMB1.517 billion from heating charges and bill receivable. Therefore, the size of Factoring businesses to be incurred under the Commercial Factoring Services Framework Agreement is expected to be approximately RMB1 billion, considering the historical amount of electricity and heating charges receivable by the Group, the demand of the Group for turnover of capital, and the service capacity of Huadian Factoring;

- (iii) From the effective date of the Existing Commercial Factoring Services Framework Agreement (i.e. 1 January 2022) to 31 December 2024, the historical amount of the transactions under the Existing Commercial Factoring Services Framework Agreement for two (2) years ended 31 December 2023 and six months ended 30 June 2024 was RMB3.876 billion, RMB4.142 billion and RMB1.829 billion, respectively. The gap between the historical amount and the proposed cap is mainly due to: the proposed annual caps are determined based on the amount and value of the thermal coals purchased by the Group and the estimated financing needs of the companies owned by the Group. Although the amount of the thermal coals purchased by the Group did not decrease during the historical period, due to the impact of external factors such as the easing of the credit environment and the adjustment of the banks' credit strategies, bank financing channels were opened up for some of the Group's thermal power enterprises, and their financing needs were temporarily shifted from the Factoring business through factoring companies to direct financing from banks. Meanwhile, due to the implementation of the policy of the National Development and Reform Commission and other state departments on the guaranteed supply of coal under long-term agreements, the structure of the Group's procurement of thermal coal has been changed, with the proportion of coal purchased under long-term agreements increasing year by year and the proportion of coal purchased from the market decreasing, while the suppliers of coal under long-term agreements are generally large-scale state-owned enterprises, whose financial situation is in better situation resulting in a decrease in the financing needs for Reverse Factoring. As a result, a gap was created between the historical amount of commercial factoring services and the proposed future cap. However, taking into account the possible trend of changes in the price of thermal coal, the proportion of coal purchased from the market and the possible changes in the banking credit environment, the Company should therefore retain a certain degree of flexibility with respect to the factoring cap and keep the original cap unchanged.

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Based on (i) the thermal coal transaction amounts and the electricity and heat charges of the Group over the past two years; and (ii) taking into account the significance of the financing flexibility to the business development of the Group, as well as the volatility of thermal coal prices, the Board believes that the annual caps should be flexible to accommodate the possible changes of contemplation, thus the proposed annual caps of the factoring services are fair and reasonable.

5. Reasons for and Benefits of Entering into the Commercial Factoring Services Framework Agreement

The Factoring business facilitates the Group to revitalize its receivables, reduce the amount of funds allocated for current assets, lower the trade receivables and inventory, and improve the operating efficiency of the supply chain. The Company would take into consideration the following factors when choosing the vendors of factoring services: (i) the qualifications and qualities of vendors; (ii) the factoring services rates; and (iii) whether the factoring financing plan meets the operating characteristics of enterprises in the power industry. The Company had previously obtained factoring services from independent third parties, in comparison with whom, as the financial institution within China Huadian Group, Huadian Factoring has a deeper understanding of the operation of the Group, which is beneficial for Huadian Factoring to provide more convenient, efficient and personalized factoring business services than other financial institutions. The Company is of the view that there is no adverse effect on the Company by entering into the Commercial Factoring Services Framework Agreement.

6. Hong Kong Listing Rules Implications

As at the Latest Practicable Date, China Huadian, the Controlling Shareholder of the Company, directly and indirectly, holds approximately 45.17% of the total issued share capital of the Company. As Huadian Factoring is a wholly-owned subsidiary and an associate of China Huadian, Huadian Factoring is a connected person of the Company pursuant to the Hong Kong Listing Rules. Therefore, the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the transactions contemplated under the Commercial Factoring Services Framework Agreement exceed 5% but are less than 25%, the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute discloseable transactions and continuing connected transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 and the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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In addition, the Company further confirms that it will comply with the relevant requirements under Chapter 14 of the Hong Kong Listing Rules in the event that any of the specific factoring agreements to be entered into pursuant to the Commercial Factoring Services Framework Agreement constitute a notifiable transaction as defined under Chapter 14 of the Hong Kong Listing Rules on a standalone basis.

IV. FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board hereby announces that the Financial Services Framework Agreement was entered into by Huadian Finance and the Company on 22 August 2024, pursuant to which Huadian Finance will continue to provide financial services to the Group for a term of three (3) years from 1 January 2025 to 31 December 2027.

1. Principal Terms

The principal terms of the Financial Services Framework Agreement are set out below:

Date:	22 August 2024
Parties:	The Company (on behalf of the Group); and Huadian Finance
Transactions:	Huadian Finance will provide financial services to the Group on a non-exclusive basis, including deposit service, settlement service, comprehensive credit granting service and other financial services approved by the NFRA.
Conditions Precedent:	The Financial Services Framework Agreement shall take effect upon approval by non-connected Shareholders at the general meeting.
Others:	The daily deposit balance placed by the Group with Huadian Finance (inclusive of accrued interests) shall not be more than the daily financing balance from Huadian Finance to the Group. If Huadian Finance is unable to repay the Group's deposits, the Company has the right to terminate the Financial Services Framework Agreement and to set off the deposit amounts due to the Group from Huadian Finance against the loan amounts outstanding from the Group to Huadian Finance. In the event that the Group suffers financial loss by reason of the default of Huadian Finance, Huadian Finance shall compensate the Group for the full amount of the loss suffered by the Group and the Group is entitled to terminate the Financial Services Framework Agreement; If Huadian Finance fails to fully compensate the Group for its losses, the difference can be offset by the loan amount owed by the Group to Huadian Finance.

LETTER FROM THE BOARD

2. Pricing Principles and Internal Procedures

Pricing Principles

Deposit services	Interest rates for the Group's deposits with Huadian Finance shall not be lower than the interest rates for deposits offered by major commercial banks in the PRC (such as Industrial and Commercial Bank of China, China Construction Bank, Bank of China, etc.) (" Major Commercial Banks in the PRC ") during the same period and shall not be lower than the interest rates for the same type of deposits by Huadian Finance to other member companies of China Huadian Group.
Settlement services	Huadian Finance will bear all fees related to settlement services.
Comprehensive credit granting services	The loan interest rates and rate of discount of Huadian Finance for the provision of comprehensive credit granting services shall not be higher than the finance interest rates and fees of Major Commercial Banks in the PRC for the same periods and shall not be higher than the interest rates and fees determined for the same types of financing services provide by Huadian Finance to other member companies of China Huadian Group.
Other financial services	The fees charged by Huadian Finance for the provision of entrusted loans, financing consultants and other financial services other than deposit, settlement and comprehensive credit granting services shall comply with the charging standards promulgated by PBOC or prescribed by regulatory authorities such as NFRA (if applicable), which shall not be higher than 0.4% per year and not higher than the rate for the same type of other financial services by Huadian Finance to other member companies of China Huadian Group.

Internal Procedures

To further ensure the security of the Group's funds, the finance department of the Company will obtain and review the latest audited annual report of Huadian Finance to assess relevant risks before any deposit placement. During the period when the deposits are placed with Huadian Finance, the finance department of the Company is entitled to obtain and review the financial reports of Huadian Finance on a regular basis to assess the risks of the deposits placed by the Group with Huadian Finance. In addition, Huadian Finance will monthly inform the finance department of the Company of the balance of the

LETTER FROM THE BOARD

deposits placed by the Group with Huadian Finance and the balance of loans provided by Huadian Finance to the Group, and regularly cooperates with the Group to issue continuous risk assessment reports. The finance department of the Company will appoint a designated person to monitor the relevant interest rates determined by PBOC in respect of same deposit, loans and other financial services, and the policies formulated by PBOC to ensure that each transaction is conducted in accordance with the aforesaid pricing policies of the Financial Service Framework Agreement.

In terms of settlement services and other financial services, the finance department of the Company will verify the standard of charges stipulated by relevant regulatory authorities in the PRC and the charges provided by Major Commercial Banks in the PRC or brokerage companies, and compare with the charges agreed in the specific agreements entered into by Huadian Finance and relevant member companies of the Group to ensure that the service charges of the Company are no less favourable than the terms provided by other Major Commercial Banks in the PRC or brokerage companies. The Company will obtain at least two quotations before deciding on the selection of Huadian Finance, other commercial banks or financial institutions as the service provider. In addition, the Company will also take into consideration the service quality provided by Huadian Finance and other third-party banks or financial institutions when selecting the providers of settlement services and other financial services.

3. Historical Amounts and Existing Annual Caps of Deposit Services

Pursuant to the Existing Financial Services Framework Agreement, the highest daily deposit balance placed by the Group with Huadian Finance for each of the three (3) years from 2022 to 2024 (inclusive of accrued interests) shall not be more than RMB9 billion. Such highest daily deposit balance has been officially approved by Independent Shareholders at the extraordinary general meeting of the Company held on 14 December 2021.

The maximum daily deposit balances (see the table below) placed by the Group with Huadian Finance for the two (2) years ended 31 December 2023 and the six months ended 30 June 2024 are set out as below, which did not exceed the then applicable maximum daily deposit balance of RMB9 billion provided by Huadian Finance to the Group. The interest rates of various deposits are not lower than those of the same type of deposits provided by Major Commercial Banks in the PRC.

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024
		<i>(RMB billion)</i>	
The maximum daily deposit balance	8.990	8.716	8.037

LETTER FROM THE BOARD

Although the deposits placed by the Company with other commercial banks in the PRC are less than those placed with Huadian Finance, for the purpose of lowering the risks of placing all cash with the same financial institution, the Company has placed and will continue to place cash from time to time with other commercial banks in the PRC, such as Bank of China, China Construction Bank, Agricultural Bank of China and Industrial and Commercial Bank of China.

4. Proposed Annual Caps and Basis of Determination

Deposit services

The Directors propose that the maximum daily deposit balance placed by the Group with Huadian Finance for each of the three (3) years from 2025 to 2027 under the Financial Services Framework Agreement be RMB12 billion, and the daily deposit balance placed by the Group with Huadian Finance shall not be more than the daily financing balance from Huadian Finance to the Group (i.e. the loan and bill discounting amount provided by Huadian Finance to the Group).

The maximum daily deposit balance is determined based on the historical amount and the estimated demand of the Group for deposit service. In light of the current steady monetary policies implemented by the central bank and taking into account the development of the asset scale and capital needs of the Group (such as the Group's ongoing asset restructuring projects and the newly-constructed generating units in the following three years, including coal-fired, gas-fired and pumped storage projects), which will increase the number of the assets and the size of the companies of the Group and result in increased demand for deposits with Huadian Finance of the Group, it is estimated that the Company's capital inflow amount will continue to be approximately RMB12 billion for the following three years. Thus, it is proposed that the maximum daily balance for the deposits placed by the Company with Huadian Finance remain at RMB12 billion.

Comprehensive credit granting services

The Directors propose to the Group that pursuant to the Financial Services Framework Agreement, the highest amount of comprehensive credit granting services provided by Huadian Finance to the Group shall be RMB45 billion, of which loans shall not be more than RMB25 billion for each of the three (3) years from 2025 to 2027. The transactions involving provision of financial assistance by Huadian Finance to the Group are on normal commercial terms or better to the Group where no security over the Group's assets is granted in respect of the financial assistance. Therefore, such comprehensive credit granting services are fully exempt continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

Settlement services	Huadian Finance will bear all fees related to settlement services.
Other financial services	The Company estimates that the aggregate amounts to be paid by the Group to Huadian Finance for the purchase of settlement services and other financial services under the Financial Services Framework Agreement will not be, on an annual basis, more than the de minimis threshold of 0.1% as calculated under Rule 14A.76(1)(a) of the Hong Kong Listing Rules during the term of the Financial Services Framework Agreement.

5. Reasons for and Benefits of Entering into the Financial Services Framework Agreement

According to the terms of the Financial Services Framework Agreement, Huadian Finance has agreed that the daily deposit balance placed by the Group with Huadian Finance shall not be higher than the daily financing balance. Considering the overall favourable terms of the Financial Services Framework Agreement, including the preferential interest rates, as well as taking into account the long-term relationship between the Group and Huadian Finance, the Company considers that it is beneficial to continue to enter into the Financial Services Framework Agreement with Huadian Finance as such transactions have (i) facilitated the growth of the principal business and installation capacity of the Group mainly due to the provision of stable loans; (ii) improved the utilization efficiency of the capital of the Group; and (iii) enabled the Group to gain desirable profits. The transactions will also continue to facilitate the operation and growth of the businesses of the Group.

6. Hong Kong Listing Rules Implications

As at the Latest Practicable Date, China Huadian, the Controlling Shareholder of the Company, directly and indirectly holds approximately 45.17% of the total issued share capital of the Company. As Huadian Finance is held as to 46.85% by China Huadian and is an associate of China Huadian, Huadian Finance is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the entering into of the Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios in relation to the proposed maximum daily deposit balance placed by the Company with Huadian Finance under the Financial Services Framework Agreement (i.e., RMB12 billion, and be no more than the daily financing balance from Huadian Finance to the Group) exceed 5% but is less than 25%, the transactions of providing deposit services to the Group by Huadian Finance constitute discloseable transactions and continuing connected transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 and the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

In respect of the provision of comprehensive credit granting services under the Financial Services Framework Agreement, since the services provided by Huadian Finance to the Group are at fees not higher than the fees charged by Major Commercial Banks in the PRC and other financial institutions for the same type of services, the transactions involving provision of financial assistance by Huadian Finance to the Group are on normal commercial terms or better to the Group where no security over the Group's assets is granted in respect of the financial assistance. Therefore, such comprehensive credit granting services are fully exempt continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules.

The Company estimates that the aggregate amounts to be paid by the Group to Huadian Finance for the purchase of settlement services and other financial services will not be, on an annual basis, more than the minimum percentage of 0.1% as calculated under Rule 14A.76(1)(a) of the Hong Kong Listing Rules during the term of the Financial Services Framework Agreement. Thus, the transactions in respect of such services would be fully exempt continuing connected transactions under the Hong Kong Listing Rules.

V. REVISION OF ANNUAL CAPS

1. Background

On 30 August 2023, Huadian Financial Leasing and the Company entered into Existing Finance Lease Services Framework Agreement for three (3) years commencing from 1 January 2024 to 31 December 2026. The major terms, pricing principles and internal procedures, historical amounts, Original Annual Caps and the reasons for and benefits of the transactions relating to the Existing Finance Lease Services Framework Agreement are set out in the announcement dated 30 August 2023 and the circular dated 14 November 2023 of the Company.

Pursuant to the Existing Finance Lease Services Framework Agreement, Huadian Financial Leasing provides Direct Lease services and Sale and Leaseback services for the Group. The annual cap of the Direct Lease is RMB1.5 billion and the annual cap of the Sale and Leaseback is RMB500 million under the Existing Finance Lease Services Framework Agreement. The Directors and senior management of the Company have been regularly and closely monitoring (among others) the continuing connected transactions relating to the finance lease services. According to changes in the market and estimated business performance, the Directors are of the view that the Original Annual Caps will not be enough to fulfill the Group's operation and production needs.

The Board hereby announces that the Supplemental Agreement was entered into between Huadian Financial Leasing and the Company on 22 August 2024, increasing the annual cap for the Direct Lease under the Existing Finance Lease Services Framework Agreement from RMB1.5 billion to RMB2 billion, and increasing the annual cap for the Sale and Leaseback from RMB500 million to RMB2 billion commencing from 2025 to 2026. Apart from the above-mentioned revisions, the terms under the Existing Finance Lease Services Framework Agreement remain unchanged. The Existing Finance Lease Services Framework Agreement and the transactions contemplated thereunder are exempt from the Independent Shareholders' approval requirement under the Hong Kong Listing Rules, but such transactions are still subject to the approval by the Independent Shareholders at the general meeting of the Company pursuant to the SSE Listing Rules.

LETTER FROM THE BOARD

The Supplemental Agreement will take effect on the date of approval by the Independent Shareholders at the general meeting of the Company or on 1 January 2025, whichever is later. If the aforesaid supplemental agreement is not approved at the general meeting of the Company, the Supplemental Agreement will automatically terminate. After its termination, the relevant terms of the Existing Finance Lease Services Framework Agreement will remain in effect.

2. Major Terms of the Existing Finance Lease Services Framework Agreement

The major terms under the Existing Finance Lease Services Framework Agreement are set out below:

- Date: 30 August 2023
- Parties: The Company; and
Huadian Financial Leasing
- Term of Agreement: From 1 January 2024 to 31 December 2026.
- Transactions:
- (1) provision of direct lease services (the “**Direct Lease**”) to the Group by Huadian Financial Leasing, among which Huadian Financial Leasing will acquire equipment from supplier(s) according to the choice and requirements of the Group and then lease the equipment as leased property to the Group; the Group shall purchase the relevant equipment under each Direct Lease at a nominal fee of RMB1 upon the expiry of the lease period of each Direct Lease; and
 - (2) provision of sale and leaseback services (the “**Sale and Leaseback**”) to the Group by Huadian Financial Leasing, among which Huadian Financial Leasing will acquire equipment from the Group and then lease the same equipment back to the Group; the Group shall purchase the relevant equipment under each Sale and Leaseback at a nominal fee of RMB1 upon the expiry of the lease period of each Sale and Leaseback.

The maximum daily balance of financing that the Group may obtain from Huadian Financial Leasing during the period of the Existing Finance Lease Services Framework Agreement is RMB6 billion.

LETTER FROM THE BOARD

Pricing principles: The fees for the finance lease services under the Existing Finance Lease Services Framework Agreement were determined at a rate which was (i) not higher than the finance costs for comparable finance lease services available from other financial leasing companies in the PRC; and (ii) not higher than the finance costs for similar finance lease services offered by Huadian Financial Leasing to other member companies of China Huadian Group.

In respect of each specific agreement to be entered into between the relevant member(s) of the Group and Huadian Financial Leasing, the following factors will be considered in determining the principal and interest payable for the finance lease services:

- (1) the value of the assets expected to be subject to finance leasing; and
- (2) the prevailing interest costs in the market (including but not limited to the finance cost of the Group and borrowing cost of PRC banks offered to customers).

In practice, the fees are subject to mutual consent and confirmation by the parties to the agreement, as well as determination after arm's length negotiation with reference to the then market interest and prevailing market conditions, and on terms no less favourable than those with independent third parties.

In addition, the Company would make reference to the historical prices and price trends of the relevant finance lease services and ensure that such prices would be fair and reasonable to the Company and its Shareholders as a whole.

3. Historical Amounts and Existing Annual Caps

For the purpose of the Hong Kong Listing Rules, the Direct Lease involves “acquisition”, while the Sale and Leaseback constitutes “disposal”. The actual transaction amount incurred for the Direct Lease and the Sale and Leaseback by the Group for the six months ended 30 June 2024 was RMB5 million and RMB120 million, respectively. As of the Latest Practical Date, the actual transaction amount for the Direct Lease and the Sale and Leaseback has not exceeded the annual caps of RMB1.5 billion and RMB500 million for such transactions.

LETTER FROM THE BOARD

4. Revision of Annual Caps, Basis of Determination and Reasons for Revision

The Directors and senior management of the Company have been regularly and closely monitoring (among others) the relevant continuing connected transactions. Based on the needs of daily operation, business development and supplementing the current leasing funds and according to the changes in the market and estimated business performance, the Directors are of the view that the original caps for 2025 and 2026 for the finance lease services will not be enough to fulfill the Group's future business and production needs. Therefore, the Company proposed to revise the Original Annual Caps for 2025 and 2026. The details are set out below:

Unit: RMB billion

	Original Annual Cap for the year ended 31 December 2025	Revised Annual Cap for the year ended 31 December 2025	Original Annual Cap for the year ended 31 December 2026	Revised Annual Cap for the year ended 31 December 2026
Direct Lease	1.5	2	1.5	2
Sale and Leaseback	0.5	2	0.5	2

The revised annual caps for the two (2) years ended 31 December 2026 are determined after considering the following factors:

When estimating the abovementioned annual caps, the Company has principally considered the following factors: (i) the Group's future development plans and its demand for the finance lease services by Huadian Financial Leasing arising from the Group's daily operation and development (in the case of Direct Lease, the total value of right-of-use assets as to be recognised by the Company, and in the case of the Sale and Leaseback, the estimated value incurred of the assets subject to finance leasing arrangement); (ii) the nature, value and expected use life of the equipment to be leased to the Group; (iii) the capability and flexibility of Huadian Financial Leasing in providing finance lease services to the Group; and (iv) the historic transaction amounts.

In determining the proposed annual caps for the Direct Lease and the Sale and Leaseback, the Company has taken into account the total value of right-of-use assets in connection with our expected new Direct Leases and the estimated value incurred under the Sale and Leaseback for the agreement period. It is expected that the Group's capital needs for the Direct Lease for the agreement period will mainly be utilized for newly-added generating units (including coal-fired power generation and gas-fired power generation projects under construction, which mainly include the coal-fired power generation projects in Guangdong and the coal-fired power generation and gas-fired power generation projects in Shandong) and newly-invested pumped storage projects. The new demand for Direct Lease business is estimated to be approximately RMB2 billion in 2025 and 2026. The capital needs for the Sale and Leaseback are mainly for operating coal-fired projects, and consider the changing financing needs for the operating

LETTER FROM THE BOARD

coal-fired projects. The new demand for Sale and Leaseback business is estimated to be approximately RMB2 billion in 2025 and 2026 respectively. With overall consideration on the capital needs of those projects, the Company had calculated the total value of right-of-use assets of Direct Lease and the estimated value incurred under the Sale and Leaseback and set the annual caps as RMB2,000 million, respectively, which will be able to ensure that the Proposed Finance Lease Services Framework Agreement will provide sufficient funds for the financing of the projects of the Group.

The two concepts of “maximum daily balance” and “total value of right-of-use assets” are generally irrelevant, as the “maximum daily balance” is calculated in terms of the accumulative balance of all ongoing financial leasing by the Group from Huadian Financial Leasing as required by, and for the purpose of complying with, the applicable regulatory requirements under the SSE Listing Rules, while the “total value of right-of-use assets” is calculated and set as the annual cap for the Direct Lease under the Proposed Financial Lease Service Framework Agreement pursuant to the Hong Kong Listing Rules. The maximum daily balance remains unchanged. The details are set out in the Company’s announcement dated 30 August 2023 and the circular dated 14 November 2023.

Based on the data on the length of lease periods of the Group’s finance leases, the Direct Leases have an average lease period of approximately 14.75 years, and the Sale and Leasebacks have an average lease period of approximately 6 years. The Group’s operation is rather stable and the pace of our project construction is orderly and gradual, and as a result, there will not be significant fluctuation in the length of lease periods of our Direct Leases and Sale and Leasebacks.

Reasons for and benefits of the Existing Finance Lease Services Framework Agreement, basis of determination for the maximum daily balance and internal control measures are set out in the Company’s circular dated 14 November 2023.

5. Hong Kong Listing Rules Implications

Huadian Financial Leasing is a subsidiary of the Controlling Shareholder of the Company, i.e. China Huadian, and thus a connected person of the Company under the Hong Kong Listing Rules. Thus, the connected transactions under the Existing Finance Lease Services Framework Agreement constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the highest applicable ratio of the Revised Annual Caps of the transactions contemplated under the Existing Finance Lease Services Framework Agreement exceeds 0.1% but is less than 5%, the Revision of Annual Caps is subject to the reporting and announcement under Chapter 14A of the Hong Kong Listing Rules but is exempt from the Independent Shareholders’ approval requirement. Although the Existing Finance Lease Services Framework Agreement and the transactions contemplated thereunder are exempt from the Independent Shareholders’ approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the Independent Shareholders at the general meeting of the Company pursuant to the SSE Listing Rules.

LETTER FROM THE BOARD

VI. GENERAL INFORMATION

Information relating to the Group

The Group is one of the largest comprehensive energy companies in China, which is principally engaged in the construction and operation of power plants, including large-scale efficient coal, gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

Information relating to Huadian Factoring

Huadian Factoring is a wholly-owned subsidiary of China Huadian, the Controlling Shareholder of the Company. Huadian Factoring is a commercial factoring enterprise established with the approval of Tianjin Finance Bureau (天津市金融局), with a registered capital of RMB600 million and is engaged in factoring financing, management of the sales ledgers, collection of receivables and consulting services in relation to commercial factoring.

Information relating to Huadian Finance

Huadian Finance is a national non-banking financial institution approved by the NFRA and is mainly engaged in deposit taking of member companies, provision of loans for member companies, bills discounting, acceptance, payment and settlement of funds, entrusted loans to member companies, non-financing letters, financial advisor, credit certification, advisory agency services and other types of financial services as approved by the NFRA.

Information relating to Huadian Financial Leasing

Huadian Financial Leasing is a financial leasing company established with the approval by Tianjin Commission of Commerce in the PRC (中國天津市商務委員會). Huadian Financial Leasing may provide direct lease, sublease, sale and leaseback, leveraged lease, trust lease, joint lease and different types of finance lease services to China Huadian and its member companies. Huadian Financial Leasing is a subsidiary of China Huadian, and its equity interest is indirectly owned as to 84.685% by China Huadian as at the Latest Practicable Date.

Information relating to China Huadian

China Huadian, the Controlling Shareholder of the Company, directly and indirectly holds approximately 45.17% of the total issued share capital of the Company. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to power generation and relevant professional technical services.

LETTER FROM THE BOARD

VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Hong Kong Listing Rules, the Independent Board Committee has been established to advise Independent Shareholders on the Major Continuing Connected Transactions. The Company has appointed Gram Capital as its Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the Major Continuing Connected Transactions. For details, please refer to the circular published by the Company as and when appropriate.

VIII. EGM

The Company will hold an EGM to consider and, if thought fit, approve (i) the continuing connected transactions and proposed annual caps contemplated under the Commercial Factoring Services Framework Agreement; (ii) the provision of deposit services by Huadian Finance to the Group and the proposed maximum daily deposit balance placed by the Group with Huadian Finance under the Financial Services Framework Agreement; and (iii) the Revision of Annual Caps.

China Huadian, which holds 4,534,199,224 issued A shares of the Company, representing approximately 44.33% of total issued share capital of the Company, and China Huadian Hong Kong Company Limited, a wholly-owned subsidiary of China Huadian Overseas Investment Co., Ltd., a wholly-owned subsidiary of China Huadian, which holds 85,862,000 issued H shares of the Company, representing approximately 0.84% of total issued share capital of the Company, will abstain from voting in relation to the approval for (i) the continuing connected transactions and proposed annual caps contemplated under the Commercial Factoring Services Framework Agreement; (ii) the provision of deposit services by Huadian Finance to the Group and the proposed maximum daily deposit balance placed by the Group with Huadian Finance under the Financial Services Framework Agreement; and (iii) the Revision of Annual Caps.

IX. RECOMMENDATIONS

Since Mr. Dai Jun, Chairman of the Company, Mr. Zhao Wei, Mr. Zeng Qinghua and Ms. Cao Min, non-executive Directors, hold positions in China Huadian, they have abstained from voting on the resolutions in relation to the Continuing Connected Transactions at the twelfth meeting of the tenth session of the Board. Save as disclosed above, no other Directors has any material interest in the Continuing Connected Transactions and hence no other Director has abstained from voting on such Board resolutions.

The Directors (excluding the independent non-executive Directors, whose opinion on the Major Continuing Connected Transactions will be set forth in the circular by reference to the advice from the Independent Financial Adviser in this regard) are of the view that the Commercial Factoring Services Framework Agreement (and its relevant proposed annual caps), the Financial Services Framework Agreement (and its relevant proposed annual caps), and the revised annual caps under the Existing Finance Lease Services Framework Agreement are

LETTER FROM THE BOARD

entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the resolutions to be proposed at the EGM.

X. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from Gram Capital and the additional information set out in the appendix to this circular.

Yours faithfully,

For and on behalf of the Board

Huadian Power International Corporation Limited*

Dai Jun

Chairman

* *For identification purpose only*



華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))

(Stock Code: 1071)

8 October 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed to form the Independent Board Committee to consider and advise whether the Major Continuing Connected Transactions are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Major Continuing Connected Transactions. Terms used herein shall have the same meanings as those defined in this circular unless the context otherwise requires.

We wish to draw the attention of the Independent Shareholders to the letter from the Board, the letter from the Independent Board Committee and the letter of advice from Gram Capital, set out on pages 5 to 24, page 25 and pages 26 to 41 of this circular, respectively.

Having considered the information contained in the letter from the Board and taking into account the advice and recommendation given by Gram Capital, we are of the view that Major Continuing Connected Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the aforementioned agreement, the transactions contemplated thereunder and the related proposed annual caps at the EGM.

Yours faithfully,

Independent Board Committee of

Huadian Power International Corporation Limited*

Feng Zhenping, Li Xingchun, Wang Yuesheng, Shen Ling

Independent Non-executive Directors

* *For identification purpose only*

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 Major Continuing Connected Transactions 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

8 October 2024

*To: The independent board committee and the independent shareholders
of Huadian Power International Corporation Limited**

Dear Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Commercial Factoring Services Framework Agreement (the “**Factoring Services**”) and the deposit services contemplated under the Financial Services Framework Agreement (the “**Deposit Services**”, together with the Factoring Services, i.e. the Major Continuing Connected Transactions), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 8 October 2024 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.

On 22 August 2024, the Company entered into (i) the Commercial Factoring Services Framework Agreement with Huadian Factoring; and (ii) the Financial Services Framework Agreement with Huadian Finance, to renew, among other things, the Factoring Services and the Deposit Services with a term of three years from 1 January 2025 to 31 December 2027.

With reference to the Board Letter, the Major Continuing Connected Transactions constitute discloseable and continuing connected transactions of the Company, and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Feng Zhenping, Mr. Li Xingchun, Mr. Wang Yuesheng and Ms. Shen Ling (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Major Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Major Continuing Connected Transactions are conducted in the

LETTER FROM GRAM CAPITAL

ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Major Continuing Connected Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to the continuing connected transactions of the Company, details of which are set out in the Company's circular dated 14 November 2023. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a 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 and that none of the circumstances as set out under Rule 13.84 of the Hong Kong Listing Rules existed as at the Latest Practicable Date, 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 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 Major Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps 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.

LETTER FROM GRAM CAPITAL

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 enquiries, 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 the omission of which would make any statement as contained 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, Huadian Factoring, Huadian Finance and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Major Continuing Connected Transactions. 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 Major Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is one of the largest comprehensive energy companies in China, which is principally engaged in the construction and operation of power plants, including large-scale efficient coal, gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Company for the two years ended 31 December 2023 and for the six months ended 30 June 2024 (together with comparative figures), as extracted from the Company’s annual report for the year ended 31 December 2023 (the “**2023 Annual Report**”) and the Company’s interim report for the six months ended 30 June 2024 (the “**2024 Interim Report**”), respectively:

	For the six months ended 30 June 2024 (“1H2024”) RMB’000 (<i>unaudited</i>)	For the six months ended 30 June 2023 (“1H2023”) RMB’000 (<i>unaudited</i>)	Change from 1H2023 to 1H2024 %	For the year ended 31 December 2023 (“FY2023”) RMB’000 (<i>audited</i>)	For the year ended 31 December 2022 (“FY2022”) RMB’000 (<i>audited</i>)	Change from FY2022 to FY2023 %
Turnover	52,893,953	59,053,025	(10.43)	116,376,064	105,960,339	9.83
– Sale of electricity	42,876,950	47,129,670	(9.02)	96,151,641	95,495,823	0.69
– Sale of heat	5,613,342	5,482,148	2.39	9,623,874	8,970,609	7.28
– Sale of coal	4,403,661	6,441,207	(31.63)	10,600,549	1,493,907	609.59
Operating profit/(loss)	3,365,491	2,186,102	53.95	4,100,870	(4,183,994)	N/A
Profit/(loss) for the period/year attributable to the equity holders of the Company	3,431,773	2,876,840	19.29	4,601,094	(14,322) (<i>Note</i>)	N/A

Note: The figure was restated upon the application of “Amendments to International Accounting Standard 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction” from FY2023 onward.

As illustrated in the above table, the Group’s turnover increased from approximately RMB106.0 billion for FY2022 to approximately RMB116.4 billion for FY2023, representing an increase of approximately 9.83%. With reference to the 2023 Annual Report, such increase was mainly due to the increase in coal trading volume.

The Group recorded operating profit and profit attributable to equity holders of the Company for FY2023 as opposed to operating loss and loss attributable to equity holders of the Company for FY2022. With reference to the 2023 Annual Report, such turnaround from loss-making position to profit-making position was mainly due to the combined impact of the Group’s lower fuel prices, incremental benefits contributed by the operation of new projects and the decrease in investment income from the invested coal enterprises.

The Group’s turnover was approximately RMB52.9 billion for 1H2024, representing a decrease of approximately 10.43% as compared to that for 1H2023. With reference to the 2024 Interim Report, such decrease was mainly due to (i) the decrease in power generation by the Group and the decrease in on-grid tariff, resulting in a corresponding decrease in on-grid power sold; and (ii) the decrease in coal trading volume.

LETTER FROM GRAM CAPITAL

Notwithstanding the aforesaid decrease in the Group's turnover for 1H2024, the Group's operating profit increased by approximately 53.95% as compared to that for 1H2023; while the Group's profit for 1H2024 attributable to the equity holders of the Company increased by approximately 19.29% as compared to that for 1H2023. With reference to the 2024 Interim Report and as advised by the Directors, the increase in the Group's operating profit was mainly due to the decrease in fuel prices, electric heating prices and power generation capacity; and the increase in the Group's profit attributable to equity holders of the Company was mainly due to the increase in the Group's operating profit as aforementioned.

With reference to the 2024 Interim Report, as at 30 June 2024, the Group's total assets and net assets were approximately RMB225.6 billion and RMB88.5 billion respectively.

Information on Huadian Factoring and Huadian Finance

Huadian Factoring is a commercial factoring enterprise established with the approval of Tianjin Finance Bureau (天津市金融局), with the registered capital of RMB600 million and is engaged in factoring financing, management of the sales ledgers, collection of receivables and consulting services in relation to commercial factoring.

Huadian Finance is a national non-banking financial institution approved by the NFRA and is mainly engaged in deposit taking of member companies, provision of loans for member companies, bills discounting, acceptance, payment and settlement of funds, entrusted loans to member companies, non-financing letters, financial advisor, credit certification, advisory agency services and other types of financial services as approved by the NFRA.

Huadian Factoring is a wholly-owned subsidiary of China Huadian and Huadian Finance is held as to 46.85% by China Huadian, the Controlling Shareholder of the Company. Both Huadian Factoring and Huadian Finance are connected persons of the Company.

As further advised by the Directors, Huadian Finance is required to operate in compliance with the Administrative Measures for the Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》), the “**Administrative Measures**” promulgated by China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會), which was replaced by NFRA in May 2023. Pursuant to the Administrative Measures, it regulates the operation of non-banking financial institutions which provide financial management services to the enterprise group member entities. The Administrative Measures set out certain compliance and risk control requirement/measures in relation to the operation of group finance companies, including but not limited to maintaining certain financial ratios at all times. Further, the parent group company and controlling shareholder(s) of group finance company shall supplement such group finance company's capital when necessary.

Based on our discussion with Huadian Finance, we understood that NFRA monitors Huadian Finance's operations and compliance with relevant laws and regulations, through on-site examinations and off-site surveillance, from time to time. The NFRA may impose corrective and punitive measures, including fines and ordering the suspension of certain

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business activities. According to Huadian Finance, the NFRA has not taken any disciplinary actions, or imposed any penalties or fines on Huadian Finance for the two years ended 31 December 2023. As further advised by Huadian Finance, Huadian Finance is required to submit quarterly operational analysis report of Huadian Finance's business operations to the Beijing Supervision Bureau under the NFRA.

Reasons for and benefits of the Major Continuing Connected Transactions

With reference to the Board Letter, the Factoring Services facilitate the Group to revitalize its receivables, reduce the amount of funds allocated for current assets, lower the trade receivables and inventory, and improve the operating efficiency of the supply chain; and the Deposit Services can enable the Group to gain desirable profits as the interest rates for the Deposit Services shall not be lower than the interest rates for deposits offered by Major Commercial Banks in the PRC during the same period and shall not be lower than the interest rates for the same type of deposits by Huadian Finance to other members of China Huadian Group.

Pursuant to the Commercial Factoring Services Framework Agreement, the consideration for the factoring business services provided by Huadian Factoring to the Group was determined at a rate which: (i) shall not exceed those charged by other commercial factoring companies in the PRC for the same period, with the same maturity, and equivalent services; and (ii) shall not exceed those charged for the same type of services provided by Huadian Factoring to other members of the same type within China Huadian Group. Huadian Factoring will not charge the Group any fee for the Reverse Factoring business services to be provided to the Group.

As advised by the Directors, under the Reverse Factoring arrangement, the Group is able to procure coal at lower costs and extend the payment period.

As confirmed by the Directors, as the Major Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Hong Kong Listing Rules, if necessary. Accordingly, the Directors are of the view that the Major Continuing Connected Transactions will be beneficial to the Company and the Shareholders as a whole.

Having considered the above factors, we consider the Major Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

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Principal terms of the Major Continuing Connected Transactions

A. *The Factoring Services*

Set out below are the principal terms of the Factoring Services, details of which are set out in the section headed “COMMERCIAL FACTORING SERVICES FRAMEWORK AGREEMENT” of the Board Letter:

Date

22 August 2024

Parties

The Company (on behalf of the Group); and

Huadian Factoring

Term

Three years commencing from 1 January 2025 and expiring on 31 December 2027

Nature of the Transactions

Pursuant to the Commercial Factoring Services Framework Agreement, Huadian Factoring agrees to provide the Group with commercial factoring services as required by the Company, including Reverse Factoring and Factoring services.

The parties thereto may, during the term of the Commercial Factoring Services Framework Agreement, enter into specific factoring contracts in accordance with the terms set forth in the Commercial Factoring Services Framework Agreement.

Pricing principles and internal procedures

The fees charged for the factoring services provided by Huadian Factoring to the Group is based on the Loan Prime Rate (LPR) for the same period with moderate fluctuation, but shall: (i) not exceed those charged by other commercial factoring companies in the PRC for the same period, with the same maturity, and equivalent services; and (ii) not exceed those charged for the same type of services provided by Huadian Factoring to other members of the same type within China Huadian Group. The specific fee rate shall be determined under the specific agreements to be signed by the parties based on the aforesaid principles. Among them, Huadian Factoring will not charge the Group any fee for the Reverse Factoring services to be provided to the Group. The Group may decide whether to sign a factoring service agreement with Huadian Factoring

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with or without recourse. The fees charged by Huadian Factoring for factoring services with recourse will be lower than those charged for factoring services without recourse, so the relevant subsidiaries of the Group can decide the type of factoring services based on their financing needs.

With reference to the Board Letter, in practice, relevant fees charged for the factoring services shall be agreed upon and confirmed by the parties thereto, and determined after arm's length negotiations by reference to prevailing market prices and current market conditions. To be specific, the relevant executives of the relevant departments (such as the finance assets department) of the Company will review prices for the same period and other relevant terms offered by at least two independent third parties before the commencement of relevant transactions. In selecting two independent third parties, the Company primarily considers independent third parties with similar qualifications that can offer the same term and the same type of business for comparison. By reference to the Loan Prime Rate (LPR) for the same period, the relevant executives compare with rates charged for the same type of services provided by Huadian Factoring to other members of the same type within China Huadian Group, and ensure that the terms offered by relevant connected persons of the Company are fair and reasonable and comparable to those offered by independent third parties; and where the terms offered by independent third parties are more favourable to the Company, such terms will be adopted by the Company. At the same time, Huadian Factoring promises to ensure that the service fee is fair and reasonable, at least not higher than the quotation by two independent third parties for this type of service and not higher than the quotation of the same type of service provided by it to other member units of the same type within China Huadian Group.

For our due diligence purpose, we selected on a random sampling basis and obtained two sets of Factoring and Reverse Factoring documents between the Group and Huadian Factoring for 1H2024, together with the then prevailing Loan Prime Rate (LPR) for the same period, the factoring fee rates as offered by other independent third parties for the same period and the relevant internal approval records conducted by the executives of the Group's finance assets department. We consider the samples obtained to be fair and representative for us to analyse the effectiveness of the internal control measures for Factoring and Reverse Factoring transactions on the basis that the samples covered each quarter of 1H2024, which reflected the Group's internal review and approval procedures for Factoring and Reverse Factoring transactions for the latest available financial period. We noted from the above that (i) the factoring fee rates offered by Huadian Factoring for Factoring services were made reference to the LPR and were no less favourable to the Group than those offered by independent third parties; and (ii) the factoring fees for Reverse Factoring services were charged by Huadian Factoring to the Group's supplier (being one of parties according to the Reverse Factoring documents).

With reference to the Board Letter, the Group adopted various measures to ensure the fair pricing of the Major Continuing Connected Transactions, in particular, the Group's various departments will be involved in the Major Continuing Connected

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Transactions before the entering into of the Major Continuing Connected Transactions. Details of which are set out under the section headed “Price determination principles and internal procedures” of the Board Letter. We consider that the effective implementation of the measures will ensure the fair pricing of the Major Continuing Connected Transactions.

With reference to the 2023 Annual Report, the Company had engaged its auditor to report on the Group’s continuing connected transactions (including the Factoring Services) for FY2023 in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditors’ Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have submitted an unqualified letter containing their conclusions in respect of the continuing connected transactions to the Board in accordance with Rule 14A.56 of the Hong Kong Listing Rules. (the “**Auditor’s Confirmation**”). The independent non-executive Directors had also reviewed the continuing connected transactions (including the Factoring Services) for FY2023 and confirmed that (1) these transactions were entered into in the ordinary and usual course of business of the Group; (2) these transactions were under normal commercial terms or more favourable; and (3) these transactions were conducted under agreed terms of relevant transactions which are fair and reasonable and in the interests of the Group and the Shareholders as a whole (the “**INEDs’ Confirmation**”).

Having considered (i) the review results of factoring records as mentioned above; and (ii) the Auditor’s Confirmation and the INEDs’ Confirmation, we do not doubt the effectiveness of the implementation of the measures.

Proposed annual caps

Set out below are (i) the historical transaction amounts of the Factoring Services for the two years ended 31 December 2023 and for 1H2024, together with the existing annual caps; and (ii) the proposed annual caps for the three years ending 31 December 2027:

	For the year ended 31 December 2022 RMB million	For the year ended 31 December 2023 RMB million	For the year ending 31 December 2024 RMB million
Historical transaction amounts	3,876	4,142	1,829 (Note)
Existing annual caps	7,500	7,500	7,500
Utilisation rates	51.68%	55.23%	N/A

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	For the year ending 31 December 2025 RMB million	For the year ending 31 December 2026 RMB million	For the year ending 31 December 2027 RMB million
Proposed annual caps	7,500	7,500	7,500

Note: the figure was for the six months ended 30 June 2024.

According to the above table, the utilisation rates of the existing annual caps for the Factoring Services were approximately 51.68% and 55.23% for FY2022 and FY2023 respectively.

With reference to the Board Letter, the proposed annual caps for the Factoring Services for the three years ending 31 December 2027 were determined with reference to (i) the estimated Reverse Factoring business of approximately RMB6.5 billion, comprising (a) estimated demand of RMB5.5 billion from coal procurement by the Group from independent suppliers for each of the three years ending 31 December 2027 (the transactions are expected to involve the Reverse Factoring arrangement); and (b) estimated demand of RMB1 billion arising from the potential transfer of certain receivables of the Group's suppliers (i.e. the Group's trade payables); and (ii) the expected size of Factoring business of approximately RMB1 billion taking into account the age profile of the Group's trade receivables as at 30 June 2024.

As advised by the Directors, the Group is principally engaged in the operation of power plants, majority of which being coal-fired generating units. Thus, the Group's fuel costs primarily comprised of costs of coal. We noted from the Company's past annual reports that the Group's fuel costs were approximately RMB74.5 billion, RMB82.9 billion and RMB75.5 billion for the three years ended 31 December 2021, 2022 and 2023, respectively; while the Group's purchase of fuel from connected persons were approximately RMB10.1 billion, RMB10.2 billion and RMB13.1 billion for the three years ended 31 December 2021, 2022 and 2023, respectively. The aforesaid statistics indicated the Group's demand for coal from independent third parties.

As the Reverse Factoring arrangement involves the pre-payment from Huadian Factoring to the Group's coal or other suppliers confirmed by the Group, we understood from the Directors that the demand for Reverse Factoring business services directly relates to the Group's trade creditors and bills payable (i.e. the Group's coal or other suppliers' receivable). According to the 2024 Interim Report, the Group's trade creditors and bills payables were approximately RMB9.5 billion as at 30 June 2024.

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In respect of the Factoring services, we noted from the 2024 Interim Report that the Group's trade debtors and bills receivables were approximately RMB10.3 billion (or RMB10.6 billion before allowance for impairment) as at 30 June 2024, among which, trade debtors and bills receivable for the sale of electricity and the sale of heat were approximately RMB8.6 billion and RMB1.6 billion respectively.

As both the abovementioned payables and receivables were larger than the proposed annual caps, it indicated the Group's possible demand for Factoring business and Reverse Factoring business.

Having considered that (i) above reasons for the Factoring Services; and (ii) the Group's possible demand for the Factoring Services, we are of the view that the proposed annual caps for the three years ending 31 December 2027 are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and it does not represent forecasts of factoring amounts under the Factoring Services. Consequently, we express no opinion as to how closely the actual factoring amount under the Factoring Services will correspond with the proposed annual caps.

Our conclusion on the terms of the Factoring Services

Having considered the above, including the principal terms of the Factoring Services and the proposed annual caps, we are of the view that the terms of the Factoring Services are fair and reasonable.

B. The Deposit Services

Set out below are the principal terms of the Deposit Services, details of which are set out in the section headed "FINANCIAL SERVICES FRAMEWORK AGREEMENT" of the Board Letter:

Date

22 August 2024

Parties

The Company (on behalf of the Group); and

Huadian Finance

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Term

Three years commencing from 1 January 2025 and expiring on 31 December 2027

Nature of the Transactions

Huadian Finance will provide financial services to the Group on a non-exclusive basis, including, among other things, the Deposit Service.

The daily deposit balance placed by the Group with Huadian Finance (inclusive of accrued interests) shall not be more than the daily financing balance from Huadian Finance to the Group. If Huadian Finance is unable to repay the Group's deposits, the Company has the right to terminate the Financial Services Framework Agreement and to set off the deposit amounts due to the Group from Huadian Finance against the loan amounts outstanding from the Group to Huadian Finance. In the event that the Group suffers financial loss by reason of the default of Huadian Finance, Huadian Finance shall compensate the Group for the full amount of the loss suffered by the Group and the Group is entitled to terminate the Financial Services Framework Agreement; If Huadian Finance fails to fully compensate the Group for its losses, the difference can be offset by the loan amount owed by the Group to Huadian Finance.

Pricing principles and internal procedures

Interest rates for the Group's deposits with Huadian Finance shall not be lower than the interest rates for deposits offered by Major Commercial Banks in the PRC during the same period and shall not be lower than the interest rates for the same type of deposits by Huadian Finance to other member companies of China Huadian Group.

For our due diligence purpose, we obtained (i) a confirmation letter issued by Huadian Finance dated 2 September 2024 showing (a) a list of deposit interest rates covering various period of recent years adopted by Huadian Finance; and (b) Huadian Finance's confirmation that the deposit interest rates are applicable to all customers of Huadian Finance (including the Group); and (ii) three sets of deposit records between the Group and Major Commercial Banks in the PRC for 1H2024, for comparison. We noted from the above that the deposit interest rates offered by Huadian Finance (i) were not lower than the deposit interest rates offered to the Group by Major Commercial Banks in the PRC; and (ii) were the same as those offered by Huadian Finance to other member companies of China Huadian Group for the same period.

With reference to the Board Letter, the Group adopted various measures to ensure the security of the Group's funds, including (i) the finance department of the Company will obtain and review the latest audited annual report of Huadian Finance to assess relevant risks before any deposit placement; (ii) during the period when the deposits are placed with Huadian Finance, the finance department of the Company is entitled to obtain and review the financial reports of Huadian Finance on a regular basis to assess the risks

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of the deposits placed by the Group with Huadian Finance; (iii) Huadian Finance will inform the finance department of the Company of the balance of the deposits placed by the Group with Huadian Finance and the balance of loans provided by Huadian Finance to the Group on a monthly basis, and regularly cooperates with the Group to issue continuous risk assessment reports; and (iv) the finance department of the Company will appoint a designated person to monitor the relevant interest rates determined by PBOC in respect of, among others, the same deposit, and the policies formulated by PBOC to ensure that the Deposit Services are conducted in accordance with its pricing policies. We consider that the effective implementation of the measures will ensure the fair pricing of the Deposit Services.

Having considered (i) the review results of deposit records as mentioned above; and (ii) the Auditor's Confirmation and the INEDs' Confirmation, we do not doubt the effectiveness of the implementation of the measures.

Proposed annual caps

Set out below are (i) the maximum daily deposit balances placed by the Group with Huadian Finance for the two years ended 31 December 2023 and for 1H2024, together with the existing annual caps; and (ii) the proposed annual caps for the three years ending 31 December 2027:

	For the year ended 31 December 2022 <i>RMB million</i>	For the year ended 31 December 2023 <i>RMB million</i>	For the year ending 31 December 2024 <i>RMB million</i>
Maximum daily deposit			8,037
balances	8,990	8,716	<i>(Note)</i>
Existing annual caps	9,000	9,000	9,000
Utilisation rates	99.89%	96.84%	N/A
	For the year ending 31 December 2025 <i>RMB million</i>	For the year ending 31 December 2026 <i>RMB million</i>	For the year ending 31 December 2027 <i>RMB million</i>
Proposed annual caps	12,000	12,000	12,000

Note: the figure was for the six months ended 30 June 2024.

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With reference to the Board Letter, when determining the proposed annual caps for the Deposit Services for the three years ending 31 December 2027, the Directors took into account of certain factors, details of which are set out in the sub-section headed “4. Proposed Annual Caps and Basis of Determination” under the section headed “FINANCIAL SERVICES FRAMEWORK AGREEMENT” of the Board Letter.

According to the above table, the utilisation rates of the existing annual caps for the Deposit Services were approximately 99.89% and 96.84% for FY2022 and FY2023 respectively. The Company upward adjusted the proposed annual caps for the Deposit Services for the three years ending 31 December 2027 by RMB3 billion as compared to the existing annual cap for the year ending 31 December 2024.

We noted from the 2024 Interim Report that, as at 30 June 2024, the Group’s cash and cash equivalents, restricted deposits and trade debtors and bills receivables were approximately RMB15.8 billion in aggregate (the “**Sum**”). Furthermore, we noted from the 2023 Annual Report that the Group recorded net cash inflow from operating activities of approximately RMB5.4 billion and RMB9.5 billion for FY2022 and FY2023 respectively.

Given that (i) the high utilisation of the existing annual caps; (ii) the Sum was larger than the proposed annual caps, which indicated the Group’s possible demand for deposit services to be provided by independent financial institution (such as the Major Commercial Banks in the PRC) and Huadian Finance; and (iii) the Group recorded net cash inflow from operating activities for both FY2022 and FY2023, we are of the view that the proposed annual caps for the three years ending 31 December 2027 are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and it does not represent forecasts of deposit amounts under the Deposit Services. Consequently, we express no opinion as to how closely the actual deposit amount under the Deposit Services will correspond with the proposed annual caps.

Our conclusion on the terms of the Deposit Services

Having considered the principal terms of the Deposit Services as set out above, we are of the view that the terms of Deposit Services (including the proposed annual caps) are fair and reasonable.

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Hong Kong Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values/maximum values of the Major Continuing Connected Transactions must be restricted by the respective annual caps for the period concerned under the Commercial Factoring Services Framework Agreement and Financial Services Framework Agreement; (ii) the terms of the Major Continuing Connected Transactions (including the proposed annual caps) 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 Major Continuing Connected Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Hong Kong 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 Major Continuing Connected Transactions (i) has not been approved by the Board; (ii) was not, in all material respects, in accordance with the relevant agreement governing the transaction; and (iii) has exceeded the proposed annual caps.

In the event that the total amounts/maximum amount of the Major Continuing Connected Transactions are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Major Continuing Connected Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules, we are of the view that there are adequate measures in place to monitor the Major Continuing Connected Transactions and thus the interest of the Independent Shareholders would be safeguarded.

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RECOMMENDATION

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

* *For identification purpose only*

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. INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

As at the Latest Practicable Date, so far as the Company is aware, none of the Directors, supervisors, chief executive or members of the senior management of the Company and their respective associates had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO), or which were 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 Companies as set out in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the Directors).

Mr. Dai Jun, Mr. Zhao Wei, Mr. Zeng Qinghua and Ms. Cao Min, the Directors of the Company, held positions in China Huadian; Mr. Zhu Peng and Mr. Wang Xiaobo, the Directors of the Company, and Mr. Liu Shujun, the supervisor of the Company, held positions in Shandong Development & Investment Holding Group Co., Ltd.. Save as disclosed above, as at the Latest Practicable Date, none of the other Directors or supervisors of the Company was also a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. CONSENT AND QUALIFICATION OF EXPERT

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with its letter of advice included in the form and context in which it appears.

The following sets out the qualification of Gram Capital:

Name	Qualification	Date on which the advice is expressed
Gram Capital Limited	Type 6 (advising on corporate finance) regulated activity as defined under the SFO	8 October 2024

As at the Latest Practicable Date, Gram Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect interest in any assets which had been, since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered into or was proposing to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, proposed Directors or supervisors or their respective close associates (as defined under the Hong Kong Listing Rules) had any interest in other business which competes or is likely to compete with the business of the Group as if each of them was treated as a controlling Shareholder of the Company under Rule 8.10 of the Hong Kong Listing Rules.

7. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors, proposed Directors or supervisors of the Company had any direct or indirect interest in any assets which had been since 31 December 2023 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is situated at No. 14800, Jingshi Road, Jinan City, Shandong Province, the PRC.
- (b) The business office of the Company is situated at No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC.
- (c) The Hong Kong H share registrar and H share transfer office of the Company is Hong Kong Registrars Limited situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) None of the websites appearing in or referred to in this circular or any of the information contained on any such websites forms part of this circular. Neither the Company nor any Director take any responsibility for any information contained on such websites or its accuracy.
- (e) The English text of this circular shall prevail over its Chinese text in the case of inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the Commercial Factoring Services Framework Agreement, the Financial Services Framework Agreement and the Supplemental Agreement are 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.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



華電國際電力股份有限公司

Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))
(Stock Code: 1071)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "EGM") of Huadian Power International Corporation Limited* (the "Company") will be held at 2:30 p.m. on Wednesday, 30 October 2024 at Huabin International Hotel, No. 4 Xuanwumennei Street, Xicheng District, Beijing, the PRC for the purpose of considering and, if appropriate, by way of polls, approving the following resolutions. For details of each resolution, please refer to the circular of the Company dated 8 October 2024. Unless otherwise stated, terms used in this notice shall have the same meanings as those defined in the circular.

ORDINARY RESOLUTIONS

1. Resolution on renewal of continuing connected transactions in respect of the Financial Services Framework Agreement with China Huadian Corporation Finance Company Limited
2. Resolution on renewal of continuing connected transactions in respect of Commercial Factoring Services Framework Agreement with Huadian Commercial Factoring (Tianjin) Co., Ltd.
3. Resolution on entering into continuing connected transactions in respect of the Supplemental Agreement of the Finance Lease Services Framework Agreement with Huadian Financial Leasing Company Limited

By order of the Board

Huadian Power International Corporation Limited*

Qin Jiehai

Secretary to the Board

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

As at the date of this notice, the board of directors of the Company comprises:

Dai Jun (Chairman, Executive Director), Zhu Peng (Vice Chairman, Non-executive Director), Chen Bin (Executive Director), Zhao Wei (Non-executive Director), Zeng Qinghua (Non-executive Director), Cao Min (Non-executive Director), Wang Xiaobo (Non-executive Director), Li Guoming (Executive Director), Feng Zhenping (Independent Non-executive Director), Li Xingchun (Independent Non-executive Director), Wang Yuesheng (Independent Non-executive Director) and Shen Ling (Independent Non-executive Director).

Beijing, the PRC

8 October 2024

* *For identification purpose only*

Notes:

1. ELIGIBILITY OF ATTENDING THE EGM AND CLOSURE OF THE H SHARE REGISTER OF MEMBERS

H Shareholders of the Company whose names appear on the Company's register of members at the close of business on Thursday, 24 October 2024 (the "**Registered Shareholder(s)**") are entitled to attend the EGM conditional upon completion of the necessary registration procedures. The register of members of H shares will be closed by the Company from Thursday, 24 October 2024 to Wednesday, 30 October 2024, both days inclusive, for the purpose of determining H Shareholders' entitlement to attend the EGM, during which period no transfer of the H shares will be registered.

In order to be entitled to attend the EGM, H Shareholders of the Company are required to deposit their respective instrument(s) of transfer and the relevant share certificate(s) with the H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 23 October 2024.

2. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

Registered Shareholders may deliver the necessary registration documents to the Company in person, by post or by facsimile. Upon receipt of the above documents, the Company shall complete the registration procedures in respect of attending the EGM.

3. PROXIES

Registered Shareholder is entitled to appoint one or more proxies to attend and vote at the EGM on his/her behalf by completing the "Proxy Form For Use at the Extraordinary General Meeting" (the "**Proxy Form**") or by completing a duplicate copy thereof. A proxy need not be a Shareholder of the Company. Should more than one proxy be appointed, such proxies shall only exercise his/her voting rights on a poll. The Proxy Form shall be signed by a Registered Shareholder or his/her attorney duly authorized in writing. If the Proxy Form is signed by the attorney of a Registered Shareholder, the power of attorney or other documents of authorization authorizing the attorney to appoint the proxy shall be notarized. If the Registered Shareholder is a corporation, the Proxy Form shall be executed under seal or shall be executed by its director or a duly authorized person.

The notarized power of attorney or other authorization documents and the completed Proxy Form shall be delivered to the Secretarial Office of the Board of the Company or Hong Kong Registrars Limited not less than 24 hours before the time designated for convening the EGM (being by 2:30 p.m. on Tuesday, 29 October 2024).

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

4. MISCELLANEOUS

- (1) Each of the Shareholders (or his/her proxy) shall exercise his/her voting rights according to the number of shares with voting rights represented by him/her and shall be entitled to one vote for each share held.
- (2) The EGM is expected to take less than half a day. Shareholders who attend the EGM shall be responsible for their own travel and accommodation expenses.
- (3) The office address of the Company and the contact details of the Secretarial Office of the Board are as follows:

No. 2 Xuanwumennei Street, Xicheng District, Beijing, the People's Republic of China
Tel No.: (86)10 8356 7909
Fax No.: (86)10 8356 7963

- (4) The address and contact details of Hong Kong Registrars Limited are as follows:

17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel No.: (852) 2862 8555
Fax No.: (852) 2865 0990