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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 and reply slip (which are despatched on 14 November 2017) 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)

**(1) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
AND
(2) CONTINUING CONNECTED TRANSACTIONS**

**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 1 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 26 to 53 of this circular.

The notice convening the EGM of the Company to be held at 2:30 p.m. on Friday, 29 December 2017 at Huabin International Hotel, No.4 Xuanwumennei Street Xicheng District, Beijing, the PRC was despatched to the Shareholders on 14 November 2017, which is reproduced on pages 69 to 72 of this circular.

If you are eligible and intend to attend the EGM, please complete and return the reply slip despatched on 14 November 2017 in accordance with the instructions printed thereon on or before Wednesday, 29 November 2017. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the proxy form despatched on 14 November 2017 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.

5 December 2017

* For identification purpose only

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DEFINITIONS

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

“Agreements”	means the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the Proposed Financial Services Agreement and the Proposed Loan Framework Agreement;
“Articles of Association”	means the articles of association of the Company as amended from time to time;
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Board”	means the board of directors of the Company;
“CBRC”	means China Banking Regulatory Commission;
“China Huadian”	means China Huadian Corporation* (中國華電集團公司), a wholly PRC State-owned enterprise, and the controlling shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian;
“Company”	means 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;
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Directors”	means the directors of the Company;
“EGM”	means the extraordinary general meeting of the Company to be held at 2:30 p.m. on Friday, 29 December 2017 at Huabin International Hotel, No.4 Xuanwumennei Street Xicheng District, Beijing, the PRC;

DEFINITIONS

“Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement”	means the coal, equipments and services purchase (supply) framework agreement entered into between China Huadian and the Company on 7 November 2016 in relation to the mutual supply of coal and provision of products and services between China Huadian and the Group, the principal terms of which have been disclosed in the announcement of the Company dated 7 November 2016 and its circular dated 12 December 2016;
“Existing Financial Services Agreement”	means the financial services agreement entered into between Huadian Finance and the Company on 6 November 2014 in relation to the provision of financial services by Huadian Finance, the principal terms of which have been disclosed in the announcement of the Company dated 6 November 2014 and its circular dated 26 November 2014;
“Existing Loan Framework Agreement”	means the loan framework agreement entered into between the Company and China Huadian on 6 November 2014;
“Group”	means the Company and its subsidiaries as of the Latest Practicable Date;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Huadian Finance”	means 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;
“Independent Board Committee”	means the independent committee of the Board appointed to advise the Independent Shareholders on the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the Proposed Financial Services Agreement and related matters pursuant to the requirements of the Hong Kong Listing Rules;

DEFINITIONS

“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 (Chapter 571 of the Laws of Hong Kong), and being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and the deposit services under the Proposed Financial Services Agreement;
“Independent Shareholders”	means the Shareholders who are not required to abstain from voting on the resolutions for approving the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the continuing connected transactions thereunder and their respective proposed annual caps; and the deposit services under Proposed Financial Services Agreement and the maximum average daily balance of the deposit under the Hong Kong Listing Rules;
“Latest Practicable Date”	means 30 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Miscellaneous and Relevant Services”	has the meaning ascribed to it under section III on page 5 of this circular;
“PBOC”	means the People’s Bank of China;
“PRC”	means the People’s Republic of China;
“Proposed Financial Services Agreement”	means the financial services agreement entered into between Huadian Finance and the Company on 9 November 2017 in relation to the provision of financial services by Huadian Finance, which is subject to the Independent Shareholders’ approval at the EGM;
“Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement”	means the fuel, equipments and services purchase (supply) framework agreement entered into between China Huadian and the Company on 9 November 2017 in relation to the mutual supply of coal and provision of products and services between China Huadian and the Group, which is subject to the Independent Shareholders’ approval at the EGM;

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- “Proposed Loan Framework Agreement” means the loan framework agreement entered into between the Company and China Huadian on 9 November 2017;
- “RMB” means Renminbi, the lawful currency of the PRC;
- “Share(s)” means share(s) with a par value of RMB1.00 each in the share capital of the Company;
- “Shareholder(s)” means the shareholders of the Company;
- “Substantial Shareholder(s)” has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
- “Supplemental Agreement to Financial Services Agreement” means the supplemental agreement to the financial services agreement entered into between Huadian Finance and the Company on 15 May 2015, the principal terms of which have been disclosed in the announcement of the Company dated 15 May 2015 and its circular dated 8 June 2015; and
- “%” means 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:

Zhao Jianguo (*Chairman, Non-executive Director*)
Chen Bin (*Vice Chairman, Executive Director*)
Wang Yingli (*Vice Chairman, Non-executive Director*)
Tian Hongbao (*Executive Director*)
Gou Wei (*Non-executive Director*)
Chu Yu (*Non-executive Director*)
Zhang Ke (*Non-executive Director*)
Ding Huiping (*Independent Non-executive Director*)
Wang Dashu (*Independent Non-executive Director*)
Wang Chuanshun (*Independent Non-executive Director*)
Zong Wenlong (*Independent Non-executive Director*)

Office address:

No.2 Xuanwumennei Street
Xicheng District
Beijing, the PRC

Place of business in Hong Kong:

36th Floor, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

5 December 2017

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
AND
(2) CONTINUING CONNECTED TRANSACTIONS**

I. INTRODUCTION

Reference is made to: (i) the announcement of the Company dated 27 October 2017 in relation to the proposed amendments to the Articles of Association; and (ii) the announcement of the Company dated 9 November 2017 in relation to the continuing connected transactions.

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The purpose of this circular is to provide the Shareholders with information in respect of 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 proposed amendments to the Articles of Association;
- (ii) the continuing connected transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and their respective proposed annual caps;
- (iii) the continuing connected transactions in relation to the provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Agreement and the maximum average daily balance of the deposit placed by the Group with Huadian Finance; and
- (iv) the continuing connected transactions under the Proposed Loan Framework Agreement and the annual average balance of the loan provided by China Huadian to the Group.

II. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 27 October 2017 in relation to the proposed amendments to the Articles of Association. To consistently implement the spirits of the “Notice of Facilitating Incorporation of the Requirements for Party Construction Work of State-owned Enterprises into the Articles of Association” promulgated by the Organisation Department of the Central Committee of the Communist Party of China and the Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council and to further optimize corporate governance, the Company proposes to amend the Articles of Association in accordance with the requirements of relevant laws and regulations. For the avoidance of doubt, the appointment right granted to the Board under the provisions of the Articles of Association will remain in the Board after the adoption of the proposed amendments to the Articles of Association and the authority of the Board and senior management of the Company over the material issues will not be materially affected by such proposed amendments to the Articles of Association.

The proposed amendments to the Articles of Association are set out in Appendix I to this circular.

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III. CONTINUING CONNECTED TRANSACTIONS

A. Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian

1. *Background*

Reference is made to the announcement of the Company dated 7 November 2016 and the circular of the Company dated 12 December 2016 in relation to the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

The continuing connected transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement between the Group and China Huadian are in relation to the mutual supply of coal and provision of certain products and services between China Huadian and the Group, which will expire on 31 December 2017.

The Company intends to enter into the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement upon the expiry of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement to continue the existing continuing connected transactions.

2. *The Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement*

Background

On 7 November 2016, the Company entered into the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian. The agreement is for a term of one year commencing from 1 January 2017 and expiring on 31 December 2017.

The principal terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement are set out as follows and have been disclosed in the announcement of the Company dated 7 November 2016:

Date: 7 November 2016

Parties: China Huadian;

the Company

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- Existing Term: One (1) year commencing from 1 January 2017 and expiring on 31 December 2017
- Transactions:
- (1) Mutual supply of coal between the Group and China Huadian;
 - (2) Provision to the Group by China Huadian of engineering equipments (including but not limited to transducers, recycled water and desulphurisation systems), systems, products and engineering and construction contracting projects;
 - (3) Provision to the Group by China Huadian of supplies procurement services and miscellaneous and relevant services, including:
 - (i) services in relation to the production and operation of the generating units of power plants, including overhauls and maintenance services, technological services such as testing of generating units and technology renovation and other services relating to production and operation;
 - (ii) financial agency service and property transaction agency services in the process of capital operations;
 - (iii) CDM registration services for the development and operation of clean energy projects;
 - (iv) relevant quota (such as the quota on power generation rights and the quota of “replacing small units with larger units” on shutting down small generating units) services for the operation and project development of the Group;

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- (v) property management services for the leasing of Huadian Tower, the office building of the headquarters of the Company (the above (i) to (v), collectively “**Miscellaneous and Relevant Services**”); and
- (4) Provision to China Huadian by the Group of services such as overhauls and maintenance of generating units of power plants and alternative power generation and relevant quota services.

Price determination principles:

The consideration for the mutual provision or sale of coal, engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement is subject to mutual consent and confirmation by the parties to the agreement, as well as determinations after arm’s length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those with independent third parties.

In practice, the then market price of the purchase and sale of coal is generally determined by the local spot market price as at the time of the purchase order. The local spot market price is usually determined with reference to the following principles:

- (1) relevant quotations from two or more independent large-scale PRC coal enterprises; and

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- (2) if there are no relevant quotations, the coal price shall be determined by reference to certain independent coal price index, including but not limited to, the Bohai Bay Thermal Coal Price Index, published on various coal industry websites including CQ Coal (秦皇島煤炭網) (<http://www.cqcoal.com>) and SX Coal (中國煤炭資源網) (<http://www.sxcoal.com>). According to the Notice on the Commissioning Operation of the Bohai Bay Thermal Coal Price Index (關於開展環渤海動力煤價格指數試運行工作的通知) issued by the National Development and Reform Commission in 2010, Bohai Bay Thermal Coal Price Index is authorized and guided by the National Development and Reform Committee and is data collected and periodically published by Qinhuangdao Seaborne Coal Market Co., Ltd.. It is an index system which reflects the Free on Board price and price volatility of Bohai Bay thermal coal.

Regarding the internal procedure for the purchase of coal by the Group, the safety and operation management department of the Company shall assess the relevant quotations based on factors such as quality, locality and market conditions, in order to determine the appropriate price for the purchase of coal. If the transaction concerned is a connected transaction, the finance assets department and the securities and compliance department of the Company shall also review such price based on the same assessment criteria to ensure the fairness of the prices of connected transactions.

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In addition, the then market price of the sale of coal by the Group is also generally determined with reference to the local spot market price as at the time of the sales order. The local spot market price is usually determined with reference to the price for the sale of coal as set by the largest supplier of coal by production output in the relevant locality (such price is industry knowledge and a practice followed by other suppliers of coal, which the Company believes is reliable, and may be obtained through quotations for the purchase of coal as discussed above or through the network of the Company). Regarding the internal procedure for the sale of coal by the Group, the safety and operation management department of the Company shall assess the sales price set by the above largest supplier of coal with reference to such factors as quality, the cost for the Company in producing or obtaining coal as well as the supply and demand of coal in the market, in order to determine the price for the sale of coal. If the transaction concerned is a connected transaction, the finance assets department and the securities and compliance department of the Company shall also review such price based on the same assessment criteria, with the final approval being made by the deputy general manager of the Company.

Furthermore, in practice, the consideration for the provision of the main services by China Huadian to the Group as contemplated under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement will be determined by reference to the following pricing principles:

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- (1) pricing will be determined through a bidding process. The bidding process will adhere to the relevant laws and regulations including the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》). The Company will refer to the internal manual regarding the management of the project bidding process. As set out in the internal manual, the Company will make bid initiations setting out, among other things, the specifications and requirements (including technicality, quality and pricing) of the relevant projects of provision of services, the criteria for assessing the contractors, and the requirements for the bid price. The entire bidding process will be controlled and managed by the bid evaluation committee. The committee consists of a president, which is a position held by the deputy general manager of the Company, and members from various business departments of the Company including the safety and operation management department, the finance and assets department and the project management department. The bid evaluation committee of the Company will be responsible for (i) ensuring the adherence to the process as set out in the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》); and (ii) reviewing, evaluating and monitoring documents from contractors based on such factors as technicality, quality, pricing, reputation and aftersale services, as well as the requirements in the bid invitation. The bid evaluation committee shall then determine the successful bidder by taking into account the above factors for assessment; and

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- (2) the bid price offered by the successful bidder under the abovementioned bidding process is subject to further arm's length negotiation between the Company and the successful bidder. Under such circumstances, the Company would make reference to the historical prices and pricing trends of the relevant services and products and ensure that the bid price offered by the successful bidder would be fair and reasonable to the Company and its Shareholders as a whole.

In addition, the consideration for the provision of services payable by the Group to China Huadian as contemplated under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement will be determined with reference to (i) the costs incurred by the Group in providing such services and (ii) the service fees charged by the Group to independent third parties in providing similar services. Regarding the internal procedure for the provision of services by the Group to China Huadian, the relevant business department of the Company providing the relevant services shall propose a service fees for the provision of such services with reference to the abovementioned factors. If the transaction concerned constitutes a connected transaction of the Company, the finance assets department and the securities and compliance department of the Company shall also review such service fees based on the same assessment criteria, with the final approval made by the deputy general manager of the Company responsible for the relevant service line.

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Historical Amounts

The actual amounts and the annual caps of the historical transactions under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the twelve months ended 31 December 2015, twelve months ended 31 December 2016, and for the nine months ended 30 September 2017 are set out below:

Transactions	For the twelve months ended 31 December 2015		For the twelve months ended 31 December 2016		For the nine months ended 30 September 2017	
	Actual amount (RMB millions)	Annual caps (RMB millions)	Actual amount (RMB millions)	Annual caps (RMB millions)	Actual amount (RMB millions)	Annual caps (in respect of the entire financial year ending 31 December 2017) (RMB millions)
<i>Expenditure</i>						
(a) Purchase of coal from China Huadian	3,942	6,000	2,790	6,000	3,314	6,000
(b) Provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and Miscellaneous and Relevant Services by China Huadian	2,194	3,000	3,401	4,500	2,314	5,000
<i>Revenue</i>						
(c) Sale of coal and provision of services such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services to China Huadian	226	2,000	619	2,000	7,695	12,000

3. The Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement

In accordance with the terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement, the agreement will expire on 31 December 2017. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and China Huadian, on 9 November 2017, the Company entered into the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian, which will be for another term of one year commencing from 1 January 2018 and expiring on 31 December 2018.

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Save for the above term of the contract and the maximum annual transaction amounts (as set out below) agreed by both parties in the agreement and except for that the content of the agreement is changed from purchase/sale of coal to purchase/sale of fuel, the principal terms of transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement are substantially the same as the terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

Regarding the purchase of fuel, except for coal, the Group also purchases natural gas from China Huadian to supply the fuel needed for the gas-fired generating units of the Group. The price of natural gas is currently prescribed by the Chinese government uniformly. The gas-fired power generation enterprises under the Group purchase the natural gas required for power generation at the prices stipulated by the provincial Development and Reform Commission. If the Chinese government implements relevant policies, regulations or guidelines on changing such price, the price of natural gas purchased by the Group shall be adjusted accordingly from the implementation date of such policies, regulations or guidelines.

Condition Precedent

The Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement is conditional upon Independent Shareholders' approval being obtained at the EGM.

Proposed Annual Caps

The Directors propose the proposed annual caps for the transactions contemplated under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement for the financial year ending 31 December 2018 as follows:

Transactions	Proposed annual caps for the financial year ending 31 December 2018 (RMB millions)
<i>Expenditure</i>	
(a) Purchase of fuel from China Huadian	7,000
(b) Provision of engineering equipments, systems, products and engineering and construction contracting, environmental protection system renovation project and Miscellaneous and Relevant Services by China Huadian (<i>Note 1</i>)	7,000
Total :	<u>14,000</u>

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Revenue

(c) Sale of fuel and relevant services to China Huadian (*Note 2*) 13,000

Total : 13,000

Note 1: Of the estimated annual cap of RMB7 billion, it is estimated that based on the historical amounts and the needs of existing projects of the Company, approximately 70% is for provision of engineering equipments, systems, products and engineering and construction contracting projects and approximately 30% is for provision of environmental protection system renovation project and Miscellaneous and Relevant Services.

Note 2: Of the estimated annual cap of RMB13 billion, approximately 97% is for sale of fuel and approximately 3% is for provision of relevant services. The increase of proposed annual cap from RMB12 billion of 2017 to RMB13 billion is mainly due to the increase in China Huadian's demand for fuel arising from its increasing capacity of generating units and the overall increase in power demand in the PRC.

In the process of considering the proposed annual caps for the financial year ending 31 December 2018, when estimating the annual cap for the purchase of fuel, engineering equipments and relevant services from China Huadian, the Company has considered (i) the historical transaction amounts of such purchases under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial years ended 31 December 2015 and 2016 and the nine months ended 30 September 2017, and the estimation that the actual transaction amounts will climb close to the annual caps during the fourth quarter of 2017 due to the large amount of settlement in the fourth quarter; (ii) the stable supply of natural gas needed for the newly installed gas-fired generating units of the Group which is estimated to be of a transaction amount of RMB1,000 million in 2018; (iii) the fuel required by the coal-fired generating units with a capacity of 38,540 MW and gas-fired generating units with a capacity of 4,426.5 MW currently operated by the Group as at the Latest Practicable Date for its normal operation; (iv) the increasing demand of fuel due to the increasing total capacity of the generating units to be operated in the following year; and (v) the need for concentrated construction of a large number of wind power and photovoltaic power generation projects of the Group as at the date of the Latest Practicable Date, and the unit construction cost of these units is much higher than the construction cost of ordinary coal-fired power generating units.

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B. Proposed Financial Services Agreement with Huadian Finance

1. Background

Reference is made to the announcements of the Company dated 6 November 2014 and 15 May 2015 and the circulars of the Company dated 26 November 2014 and 8 June 2015 in relation to the Existing Financial Services Agreement and Supplemental Agreement to Financial Services Agreement.

Huadian Finance, a subsidiary of China Huadian, provides financial services to the Group pursuant to the Existing Financial Services Agreement and the agreement will expire on 31 December 2017.

The Company proposes to continue the existing continuing connected transactions upon the expiry of the above continuing connected transactions and renew such agreements upon its expiry.

2. The Existing Financial Services Agreement

Background

On 6 November 2014, the Company entered into the Existing Financial Services Agreement with Huadian Finance for the provision of certain financial services, including deposit services, settlement services, loan services and other financial services, by Huadian Finance to the Group on a non-exclusive basis. The Existing Financial Services Agreement was for a term of three years from 1 January 2015 to 31 December 2017.

Huadian Finance was established pursuant to the relevant PRC laws and regulations relating to the establishment of “group finance company” to enhance the centralized management of funds among, and to improve the efficiency of fund utilization of the individual member companies of, China Huadian, including the Group. Huadian Finance is a non-banking financial institution approved and regulated by the PBOC and the CBRC. Huadian Finance only provides financial services to China Huadian and its member companies in the PRC.

On 15 May 2015, the Group and Huadian Finance entered into the Supplemental Agreement to Financial Services Agreement to, among others, adjust the relevant annual caps in respect of deposit services provided by Huadian Finance to the Group until expiry of the Existing Finance Services Agreement as supplemented by the Supplemental Agreement to Financial Services Agreement.

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The principal terms of the Existing Finance Services Agreement as supplemented by the Supplemental Agreement to Financial Services Agreement in relation to the provision of deposit services by Huadian Finance to the Group are set out as follows:

- Date: 6 November 2014
- Parties: Huadian Finance as financial services provider;
the Company as financial services recipient
- Existing Term: Three (3) years commencing from 1 January 2015 and expiring on 31 December 2017
- Price-determination: Deposit services:
- (i) Interest rates for the Group's deposits with Huadian Finance shall not be lower than the interest rates for deposits offered by the commercial banks in the PRC (such as ICBC, CCB and Bank of China) ("**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 other member companies of China Huadian;
 - (ii) The average daily deposit balance placed by the Group with Huadian Finance shall not be more than the average daily loan balance from Huadian Finance to the Group and shall not be more than RMB7.5 billion; and

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- (iii) If Huadian Finance is unable to repay the Group's deposits, the Company has the right to terminate the Financial Services 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 Agreement.

Payment: Deposit interest shall be paid quarterly. The payment terms are in line with the market practice.

Before the deposits are placed by the Group with Huadian Finance, Huadian Finance will inform the finance department of the Company the relevant interest rate determined by PBOC in respect of similar services and provide to the Company the cap of interest rate determined by relevant government authorities, and relevant interest rate shall be independently verified by the Company. 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.

To further ensure the security of the Group's funds, the finance department of the Company will get access to 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 get access to 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 the balance of the deposits placed by the Group with Huadian Finance and the balance of loans provided by Huadian Finance to the Group. The finance department of the Company will appoint a designated person to monitor the relevant interest rates determined by PBOC in respect of similar deposit services and loan services as well as 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 Agreement.

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The settlement services, loan services and other financial services provided by Huadian Finance to the Group are exempt continuing connected transactions under the Hong Kong Listing Rules. Please refer to the announcement of the Company dated 9 November 2017 for details.

Historical Amounts of Deposit Services

Pursuant to the Existing Financial Services Agreement as supplemented by the Supplemental Agreement to Financial Services Agreement, the highest average daily deposit balance placed by the Group with Huadian Finance for the year ended 31 December 2017 (inclusive of accrued interests) was no more than the average daily loan balance provided by Huadian Finance to the Group and shall not be more than RMB7.5 billion. Such highest average daily deposit balance has been officially approved by Independent Shareholders at the extraordinary general meeting of the Company held on 30 June 2015.

If the deposits placed by each of the subsidiaries of the Group with Huadian Finance are no more than RMB500,000, the prevailing actual interest rate of the historical interest income of Huadian Finance is 0.35%, which is in line with the benchmark interest rate set by PBOC; the prevailing actual interest rate for the portion exceeding RMB500,000 is 1.15%, being the agreed deposit rate, which is not lower than the interest rates for the same type of deposits by major commercial banks.

The highest average daily deposit balance placed by the Group with Huadian Finance (inclusive of the accrued interests) for the financial years ended 31 December 2015 and 2016 and for the nine months ended 30 September 2017 were RMB6.536 billion, RMB7.051 billion and RMB7.009 billion, respectively. From the commencement date of the Existing Financial Services Agreement to the Latest Practicable Date, the highest average daily deposit balance placed by the Group with Huadian Finance (inclusive of the accrued interests) did not exceeded the average daily loan balance provided by Huadian Finance to the Group or RMB7.5 billion.

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 the Bank of China, CCB, the Agricultural Bank of China and ICBC.

LETTER FROM THE BOARD

3. *The Proposed Financial Services Agreement*

The Existing Financial Services Agreement will expire on 31 December 2017. To continue to regulate the relevant terms of the transactions contemplated thereunder between the Group and Huadian Finance, on 9 November 2017, the Company renewed the Existing Financial Services Agreement with Huadian Finance, which will be renewed for another term of three years commencing from 1 January 2018 and expiring on 31 December 2020.

Save for the above term of the contract and the maximum annual transaction amounts (as set out below) agreed by both parties in the agreement, the principal terms of transactions under the Proposed Financial Services Agreement are substantially the same as the Existing Financial Services Agreement.

Condition Precedent

The provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Agreement is conditional upon Independent Shareholders' approval being obtained at the EGM.

Proposed Annual Cap of Deposit Services

Subject to the Independent Shareholders' approval, the Company proposes that the maximum average daily balance of deposits placed by the Group with Huadian Finance for each of the three years from 2018 to 2020 under the Proposed Financial Services Agreement be adjusted from RMB7.5 billion to RMB6.8 billion, and the average daily deposit balance placed by the Group with Huadian Finance shall not be more than the average daily loan balance from Huadian Finance to the Group. Related adjustment is made due to the Group's average deposit level in Huadian Finance and the balance of cash and cash equivalents of the Group as at 31 December 2016 and 30 June 2017 after proper consideration of factors including the amount receivables of the Company according to the business development plan and financial requirements of the Group.

C. *The Loan Framework Agreement with China Huadian*

Reference is made to the announcement of the Company dated 6 November 2014 and the circular of the Company dated 26 November 2014 in relation to the exempted financial assistance provided by China Huadian to the Group. The Company proposes to continue the existing continuing connected transactions upon the expiry of the above continuing connected transactions and renew the agreement upon expiry.

LETTER FROM THE BOARD

On 23 December 2014, it was approved at the extraordinary general meeting of the Company that the annual average loan balance provided by China Huadian to the Group shall not exceed RMB20 billion for each of the three years from 2015 to 2017. Based on the aggregate loan amounts provided by China Huadian to the Group for the financial years ended 31 December 2015 and 2016 and the nine months ended 30 September 2017, there is headroom of more than RMB10 billion before the maximum annual average loan balance is reached. Accordingly, the Company proposes to maintain the existing cap of annual average loan balance from China Huadian at RMB20 billion for each of the three years from 2018 to 2020.

Details of the Proposed Loan Framework Agreement entered into with China Huadian are as follows:

China Huadian and its subsidiaries (excluding the Group) will provide to the Company and its subsidiaries an annual average loan balance not exceeding RMB20 billion for each of the financial years from 2018 to 2020; the loan rate shall not be higher than that available to the Group from commercial banks during the same period and the Group shall not be required to provide any mortgages, pledges, third party guarantees or other forms of guarantee. China Huadian guaranteed that the loans under the agreement will be provided through trusted loans or other forms as permitted by national laws and regulations.

IV. REASONS FOR AND BENEFITS OF EXTENSION OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS

A. The Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian

The coal mines of the Group and China Huadian are in different localities in which the mutual provision of coal may reduce the overall cost for the procurement of coal. In addition, a subsidiary of the Group is primarily engaged in coal trading services, through which the Group is able to enhance its bargaining power in the process of coal procurement by way of bulk procurement and sales, and reduce the overall cost for coal procurement of the Group accordingly. The newly installed gas-fired generating units of the Group is located in the region where China Huadian operates its businesses of supplying natural gas. The Group will broaden its supply channels and ensure the stable supply of natural gas through purchasing natural gas from China Huadian. The mutual provision of relevant services between China Huadian and the Group provides more efficient allocation of labour (in that the timing for the needs of the relevant services which are generally of a maintenance nature may differ).

LETTER FROM THE BOARD

Considering the long-term relationship between the Group and China Huadian, the Company considers that it is beneficial to continue to enter into the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian as such transactions have facilitated the growth of the principal business and installation capacity of the Group.

B. The Proposed Financial Services Agreement with Huadian Finance

Pursuant to the terms of the Proposed Financial Services Agreement, Huadian Finance has agreed to provide loans to the Group for an amount that is higher than the average daily deposit balance placed by the Group with Huadian Finance. Taking into account the favourable terms of the Proposed Financial Services Agreement as a whole, including favourable interest rate, and considering the long-term relationship between the Group and Huadian Finance, the Company considers that it is beneficial to continue to enter into the Proposed Financial Services 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 stable provision of 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.

C. The Loan Framework Agreement with China Huadian

Considering the established relationship between China Huadian and the Company, the Company considers that it is beneficial to the Group to receive financial assistance from China Huadian as such transaction ensures the stable supply of funds required for the Group as well as facilitates the development of all businesses of the Group.

The proposed annual caps for the continuing connected transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and the maximum average daily balance of deposits placed by the Group with Huadian Finance under the Proposed Financial Services Agreement have been determined based on the estimated amount of transactions involved and with reference to the historical transaction amounts, the estimated potential growth of the Group and the expected economic growth of China. The Directors consider the proposed annual caps and the maximum average daily balance of deposits to be fair and reasonable. The Board (including independent non-executive Directors) considers that the Agreements are 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.

LETTER FROM THE BOARD

V. HONK KONG LISTING RULES IMPLICATIONS

A. Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian

China Huadian is the controlling shareholder of the Company and thus a connected person of the Company. The connected transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to all applicable requirements including the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

B. Proposed Financial Services Agreement with Huadian Finance

Huadian Finance is an associate of China Huadian, which is held as to 36.148% by China Huadian. Therefore, Huadian Finance is an associate of China Huadian and a connected person of the Company under the Hong Kong Listing Rules. The connected transactions under the Proposed Financial Services Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of businesses of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in relation to the maximum daily balance of RMB6.8 billion of the deposit services under the Proposed Financial Services Agreement exceed 5%, the provision of deposit services to the Group by Huadian Finance constitutes disclosable 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

C. The Loan Framework Agreement with China Huadian

According to the requirements of the Hong Kong Listing Rules, the Proposed Loan Framework Agreement constitutes financial assistance of connected persons to the Company. Such loans are exempted financial assistance under Rule 14A.90 of the Hong Kong Listing Rules and are not subject to the reporting, announcement and relevant Independent Shareholder's approval requirements under the Hong Kong Listing Rules, provided that: (i) the financing cost of the Group shall not be higher than that available to the Company from the commercial banks for the same financing products with the same term during the same period and the loans are conducted on normal commercial terms or better to the Group; and (ii) the loans are not secured by any of the assets of the Group. However, the above loans constitute continuing related party transactions of the Company and shall be subject to Independent Shareholders' approval pursuant to the relevant requirements of the Shanghai Listing Rules and the PRC law.

The Directors propose to put forward (i) the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the continuing connected transactions thereunder and their respective proposed annual caps; and (ii) the provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Agreement and the proposed maximum average daily balance of such deposit for approval by the Independent Shareholders at the EGM. The Directors also propose to put forward the Proposed Loan Framework Agreement in accordance with the requirements of the PRC law for approval by the Independent Shareholders.

China Huadian, which holds 4,534,199,224 issued A shares of the Company, representing approximately 45.97% of total issued share capital of the Company, and China Huadian Hong Kong Company Limited, its wholly-owned subsidiary, which holds 85,862,000 issued H shares of the Company, representing approximately 0.87% of total issued share capital of the Company, will abstain from voting for approving (i) the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the continuing connected transactions thereunder and their respective proposed annual caps; (ii) the provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Agreement and the proposed maximum average daily balance of such deposit; and (iii) the exempted financial assistance from China Huadian under the Proposed Loan Framework Agreement. Three Directors, namely, Zhao Jianguo, Gou Wei and Chu Yu, who hold positions in China Huadian or its subsidiaries, have abstained from voting on the Board resolutions approving such transactions. Save as disclosed above, none of the Directors has material interest in the above transactions and hence no other Director has abstained from voting on such Board resolutions.

LETTER FROM THE BOARD

The Independent Board Committee has been established pursuant to the Hong Kong Listing Rules to advise the Independent Shareholders on the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the Proposed Financial Services Agreement and relevant matters. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the same matters.

VI. INFORMATION OF THE PARTIES

(1) *The Group*

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

(2) *China Huadian*

China Huadian, the controlling shareholder of the Company, directly and indirectly holds approximately 46.84% of total issued share capital of the Company as at the Latest Practicable Date. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

(3) *Huadian Finance*

Huadian Finance was established on 12 February 2004 as a limited liability company in Beijing, the PRC. It is licensed by the CBRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, interbank lending, finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment to member companies, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to member companies, and other types of financial services as approved by the CBRC.

LETTER FROM THE BOARD

VII. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the opinion that: (i) the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the Proposed Financial Services Agreement and the Proposed Loan Framework Agreement as well as the continuing connected transactions contemplated thereunder 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; (ii) the related annual caps proposed under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and the proposed maximum average daily balance of deposit by the Group with Huadian Finance under the Proposed Financial Services Agreement are fair and reasonable; and (iii) proposed amendments to the Articles of Association as set out in Appendix I to this circular are fair and reasonable. Accordingly, the Directors recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the relevant resolutions to be proposed at the EGM.

VIII. FURTHER INFORMATION

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

Yours faithfully,

For and on behalf of the Board

Huadian Power International Corporation Limited*

Chairman

Zhao Jianguo

* *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)

5 December 2017

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 terms of the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and Proposed Financial Services Agreement as well as the continuing connected transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in relation to (i) the transactions contemplated under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and the related proposed annual caps; and (ii) the deposit services under the Proposed Financial Services Agreement and the maximum average daily balance of the deposit. Terms used herein shall have the same meaning as 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 1 to 23, pages 24 to 25 and pages 26 to 53 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 (i) the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the Proposed Financial Services Agreement and the continuing connected transactions contemplated thereunder 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; (ii) the related annual caps proposed under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and the proposed maximum average daily balance of deposit by the Group with Huadian Finance under the Proposed Financial Services Agreement are fair and reasonable.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*

Independent Non-executive Directors

Ding Huiping, Wang Dashu, Wang Chuanshun, Zong Wenlong

* *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 transactions contemplated under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and deposit services under the Proposed Financial Services Agreement 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

5 December 2017

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

Dear Sir/Madam,

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 (i) Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian; and (ii) deposit services under the Finance Services Agreement with Huadian Finance (the “**Deposit Services**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 5 December 2017 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 9 November 2017, the Company entered into the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian. With reference to the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, (i) the Group will purchase fuel from China Huadian (the “**Fuel Purchase Transactions**”); (ii) China Huadian will provide engineering equipments (including but not limited to transducers, recycled water and desulphurisation systems), systems, products and engineering and construction contracting projects and the Miscellaneous and Relevant Services to the Group (the “**Services Transactions**”); and (iii) the Group will sell fuel (the “**Fuel Sale Transactions**”) and relevant services (including provision to China Huadian by the Group of services such as overhauls and maintenance of generating units of power plants and alternative power generation and relevant quota services) to China Huadian (the “**Sale Transactions**”, together with the Fuel Purchase Transactions and the Services Transactions, the “**Fuel and Services Transactions**”), for a term of one year commencing from 1 January 2018 and expiring on 31 December 2018.

LETTER FROM GRAM CAPITAL

On the even date, the Company entered into the Proposed Financial Services Agreement with Huadian Finance. With reference to the Proposed Financial Services Agreement, Huadian Finance has agreed to provide the Group with financial services including Deposit Services, settlement services, loan services and other financial services to members of the Group, for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020.

With reference to the Board Letter, the transactions contemplated under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement constitute continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirement pursuant to Chapter 14A of the Hong Kong Listing Rules. In addition, the Deposit Services also constitute continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirement pursuant to Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Ding Huiping, Mr. Wang Dashu, Mr. Wang Chuanshun and Mr. Zong Wenlong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions contemplated under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, Deposit Services and transactions contemplated thereunder 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.

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 agreements/arrangements or implied understanding with anyone concerning

LETTER FROM GRAM CAPITAL

the Fuel and Services Transactions and Deposit Services. 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.

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 in the Circular 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, China Huadian, 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 Fuel Purchase Transactions, Services Transactions, Sale Transactions and Deposit Services. 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 Fuel and Services Transactions and Deposit Services, we have taken into consideration the following principal factors and reasons:

LETTER FROM GRAM CAPITAL

Information on the Group

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

A. Fuel and Services Transactions

1. Background of Fuel and Services Transactions

Information on China Huadian

With reference to the Board Letter, China Huadian, the controlling shareholder of the Company, directly and indirectly holds approximately 46.84% of total issued share capital of the Company as at the Latest Practicable Date. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

Reasons for the Fuel and Services Transactions

With reference to the Board Letter, since the coal mines of the Group and China Huadian are in different localities, the mutual provision of coal may reduce the overall cost of coal procurement. In addition, a subsidiary of the Group is primarily engaged in coal trading services, through which the Group is able to enhance its bargaining power in the process of coal procurement by way of bulk procurement and sales, and reduce the overall cost for coal procurement of the Group accordingly. The newly installed gas-fired generating units of the Group is located in the region where China Huadian operates its businesses of supplying natural gas. The Group will broaden its supply channels and ensure the stable supply of natural gas through purchasing natural gas from China Huadian. The mutual provision of relevant services between China Huadian and the Group provides more efficient allocation of labour (the time required for a service that is generally of a maintenance nature may vary). Considering the long-term relationship between the Group and China Huadian, the Company considers that it is beneficial to continue to enter into the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian as such transactions have facilitated the growth of the Group's principal business and installation capacity. Upon our enquiry, the Directors advised us that China Huadian Group and the Group had mutually provided the Fuel and Services Transactions (excluding natural gas) to each other over seven years.

LETTER FROM GRAM CAPITAL

With reference to the interim report of the company for the six months ended 30 June 2017 (the “**2017 Interim Report**”), the Group’s total controlled installed capacity amounted to 48,498.9MW, of which 38,540MW was attributable to controlled coal-fired generating units; 4,426.5 MW was attributable to gas-fired generating units, and 5,532.4MW was attributable to controlled renewable energy generating units such as hydropower, wind power, solar power and biomass energy power generating units. As such, the Directors advised us that coal is the major raw material of the Company for coal-fired power generation.

As advised by the Directors, the Group’s services providers relating to the provision of general contracting, operation and maintenance services and equipment are determined through a competitive bidding process, with China Huadian or its subsidiaries (the “**China Huadian Group**”) as potential bidders. Taking into account that (i) China Huadian Group had built up extensive experience and kept reputable records in the market of project contracting, operation and maintenance services; (ii) historically, China Huadian Group provided project contracting services and sold power generation equipment to the Group. Compared with other independent third party service providers, China Huadian Group’s established service network and long-term cooperation with the Group, China Huadian Group’s more familiar with and better understanding in the Group’s needs could provide better services to the Group; and (iii) China Huadian Group provided customised project contracting, operation and maintenance services and sold power generation equipment to the Group at competitive prices, which help the Group to reduce its cost for the Group, the Directors consider that the Services Transactions are beneficial to the Group.

As confirmed by the Directors, as the Fuel and Services Transactions have been entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be (i) 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; and (ii) service provider under the Services Transactions will be selected through a bidding process, by which all bidders (including the China Huadian Group) have to bid in accordance with the specific timetable, it may be impracticable to seek Independent Shareholders’ approval upon confirmation of China Huadian Group’s successful bidding. Accordingly, the Directors are of the view that the Fuel and Services Transactions will be beneficial to the Company and the Shareholders as a whole.

Having considered the above factors, we consider the Fuel and Services 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.

LETTER FROM GRAM CAPITAL

2. *Principal terms of the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement*

Date: 9 November 2017

Parties: China Huadian; and
the Company

Term: One (1) year commencing from 1 January 2018 and expiring on 31 December 2018

Transactions:

- (1) Mutual supply of fuel between the Group and China Huadian;
- (2) Provision to the Group by China Huadian of engineering equipments (including but not limited to transducers, recycled water and desulphurisation systems), systems, products as well as engineering and construction contracting projects;
- (3) Provision to the Group by China Huadian of Miscellaneous and Relevant Services, including:
 - (i) services in relation to the production and operation of the generating units of power plants, including overhauls and maintenance services, technological services such as testing of generating units and technology renovation and other services relating to production and operation;
 - (ii) financial agency service and property transaction agency services in the process of capital operations;
 - (iii) CDM registration services for the development and operation of clean energy projects;

LETTER FROM GRAM CAPITAL

- (iv) relevant quota (such as the quota on power generation rights and the quota of “replacing small units with larger units” on shutting down small generating units) services for the operation and project development of the Group; and
 - (v) property management services for the leasing of Huadian Tower, the office building of the headquarters of the Company.
- (4) Provision to China Huadian by the Group of services such as overhauls and maintenance of generating units of power plants and alternative power generation and relevant quota services.

Price determination principles

Pursuant to the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the consideration for the mutual provision or sale of fuel, engineering equipments, systems, products and engineering and construction contracting projects, and of Miscellaneous and Relevant Services under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement is subject to mutual consent and confirmation by the parties to the agreement, as well as determinations after arm’s length negotiation with reference to the then market price and prevailing market conditions, and on transaction terms no less favourable than those offered by independent third parties.

With reference to Rule 14A.56 of the Hong Kong Listing Rules, among other things, the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the listed issuer’s group if the transactions involve the provision of goods or services by the listed issuer’s group. We obtained the letter from the Company’s auditors (the “**Auditors’ Confirmation Letter**”), showing their confirmation that, among other things, for transactions involving the provision of goods or services by the Group (including sale of coal and provision of services such as maintenance of generating units of power plants, alternative power generation and relevant quota services by the Group to China Huadian), nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

LETTER FROM GRAM CAPITAL

Fuel Purchase Transactions and Fuel Sale Transactions

As set out in the Board Letter, in practice, the market price at the time of the sale and purchase of coal is generally determined by the local spot market price when the purchase order is made. The local spot market price is usually determined with reference to the following principles:

- (1) relevant quotations from two or more independent large-scale PRC coal enterprises; and
- (2) if there are no relevant quotations, the coal price shall be determined with reference to certain independent coal price indexes, including but not limited to, the Bohai Bay Thermal Coal Price Index, published on various coal industry websites such as the websites of CQ Coal (秦皇島煤炭網) (<http://www.cqcoal.com>) and SX Coal (中國煤炭資源網) (<http://www.sxcoal.com>).

For our due diligence purpose, we obtained three sets of invoices (the “**Coal Invoices**”) for each of the purchase/supply of coal between (i) the Company and members of China Huadian Group; and (ii) the Company and independent third parties. We noted from the Coal Invoices that (i) the prices of coal offered by members of China Huadian Group were not higher than those offered by independent third parties to the Company and (ii) the prices of coal offered by the Group to members of China Huadian Group were not lower than those offered to independent third parties by the Group (“**Our Findings on Coal Invoices**”).

As mentioned above, if there are no relevant quotations, the coal price shall be determined with reference to certain independent coal price indexes, including but not limited to, the Bohai Bay Thermal Coal Price Index. According to “Notice on the Commissioning Operation of the Bohai Bay Thermal Coal Price Index” (《關於開展環渤海動力煤價格指數試運行工作的通知》), Bohai Bay Thermal Coal Price Index is authorized and guided by National Development and Reform Committee and is data collected and periodically published by Qinhuangdao Seaborne Coal Market Co., Ltd.. It is an index system which reflects the Free on Board price and price volatility of Bohai Bay thermal coal.

Also, as advised by the Directors, the Group will make monthly adjustment towards the selling price of the coal according to the market price. For the purchase of coal, the Group will negotiate the coal purchase price with the coal suppliers according to the then current market price after obtaining the quotation from the coal suppliers. Furthermore, the prices of coal traded by the Group are measured against the Bohai Bay Thermal Coal Price Index pursuant to the quality of coal and is subject to adding or reducing logistic costs taking into account of different types of delivery.

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With reference to the Board Letter, except for coal, the Group also purchases natural gas from China Huadian Group to supply the fuel needed for the Group's gas-fired generating units. The price of natural gas is currently formulated by the Chinese government. The gas-fired power generation enterprises under the Group purchase the natural gas required for power generation at the prices stipulated by the Provincial Development and Reform Commission. If the Chinese government implements relevant policies, regulations or guidelines on such price changes, the price of natural gas purchased by the Group shall be adjusted accordingly from the implementation date of such policies, regulations or guidelines. For our due diligence purpose, we obtained government documents showing the current price of natural gas is formulated by the Chinese government.

Services Transactions

With reference to the Board Letter, in practice, the consideration for Services Transactions is determined by reference to the following pricing principles:

- (1) pricing will be determined through a bidding process. The bidding process will adhere to the relevant laws and regulations including the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》); and
- (2) the bid price offered by the successful bidder under the abovementioned bidding process is subject to further arm's length negotiation between the Company and the successful bidder. Under such circumstances, the Company would make reference to the historical prices and pricing trends of the relevant services and products and ensure that the bid price offered by the successful bidder would be fair and reasonable to the Company and its Shareholders as a whole.

In addition, the consideration for the provision of services payable by the Group to China Huadian as contemplated under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement will be determined with reference to (i) the costs incurred by the Group in providing such services and (ii) the service fees charged by the Group to independent third parties in providing similar services.

Upon our request, we obtained three sets of bidding documents relating to the Services Transactions and relevant signed contracts (the "**Individual Contracts**"). We noted from the aforesaid contracts and the respective bidding documents that (i) major pricing terms of the Individual Contracts are in line with those of the respective bidding documents; (ii) price offered by China Huadian Group is in compliance with its quotation in bidding documents; (iii) payment terms, default and indemnity terms are in line with requirement of the respective bidding documents; and (iv) such Individual Contracts were awarded based on winning bid basis ("**Our Findings on Individual Contracts**").

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Internal procedures

With reference to the Board Letter, regarding the internal procedure for the purchase of coal, the Company's safety and operation management department shall assess the relevant quotations based on factors such as quality, locality and market conditions, in order to determine the appropriate price for the purchase of coal. If the transaction concerned is connected transaction, the Company's finance and assets department; and the securities and compliance department shall also review such price based on the same assessment criteria. Having considered Our Findings on Coal Invoices, we do not doubt the effectiveness of the implementation of the internal procedure for the purchase of coal.

Regarding the internal procedure for the sale of coal, the Company's safety and operation management department shall assess the sales price set by the above-mentioned coal suppliers with reference to factors such as quality, cost for the Company in producing or obtaining coal as well as the supply and demand of coal in the market, in order to determine the price for the sale of coal. If the transaction concerned is a connected transaction, the Company's finance and assets department; and securities and compliance department shall also review such price based on the same assessment criteria, with the final approval being made by the deputy general manager of the Company. Having considered the Auditors' Confirmation Letter and Our Findings on Coal Invoices, we do not doubt the effectiveness of the implementation of the internal procedure for the sale of coal.

Regarding the internal procedure for Services Transactions, the Company has an internal manual regarding the management of the project bidding process. As set out in the internal manual, the Company will make bid initiations setting out, among other things, the specification and requirements (including technicality, quality and pricing) of the relevant projects of provision of services, the criteria for assessing the contractors, and the requirements for the bid price. The entire bidding process will be controlled and managed by the bid evaluation committee. The committee consists of a president, which is a position held by the deputy general manager of the Company, and members of various business departments of the Company including the safety and operation management department, the finance and assets department and the project management department. The bid evaluation committee of the Company will be responsible for (i) ensuring the adherence to the process as set out in the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》); and (ii) reviewing, evaluating and monitoring documents from contractors based on such factors as technicality, quality, pricing, reputation and after-sale services, as well as the requirements in the bid invitation. The bid evaluation committee shall then determine the successful bidder based on the above assessments. Having considered Our Findings on Individual Contracts, and that the bidding process of Services Transactions are governed by Law of the PRC on Tenders and Bids, we do not doubt the effectiveness of the implementation of the internal procedure for the Services Transactions.

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Regarding the internal procedure for the provision of services by the Group to China Huadian, the relevant business department of the Company providing the relevant services shall propose a service fees for the provision of such services with reference to cost incurred by the Group in providing such services and the service fees charged by the Group to independent third parties in providing similar services. If the transaction concerned is a connected transaction, the Company's finance and assets management department and safety and operation management department shall also review such service fees based on the same assessment criteria, with the final approval made by the deputy general manager of the Company responsible for the relevant service line. Having considered the Auditors' Confirmation Letter, we do not doubt the effectiveness of the implementation of the internal procedure for the provision of services by the Group to China Huadian Group.

We have also reviewed the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement agreement dated 7 November 2016 entered into by the same parties. We noted that, save for the duration and the maximum annual transaction amounts agreed by both parties in the above agreement and that the content of the agreement is changed from purchase/sale of coal to purchase/sale of fuel, the principal terms of transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement are substantially the same as the terms of the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement.

Having considered the above factors, we are of the view that the terms of the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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3. *The proposed annual caps under the Fuel and Services Transactions*

A. *Purchase Cap*

Set out below are (i) the historical transactions amounts of Fuel Purchase Transactions for the two years ended 31 December 2016 and for the nine months ended 30 September 2017; and (ii) the proposed annual caps of Fuel Purchase Transactions for the year ending 31 December 2018 (the “**Purchase Cap**”):

Fuel Purchase Transactions	For the year ended 31 December 2015 <i>RMB' million</i>	For the year ended 31 December 2016 <i>RMB' million</i>	For the year ending 31 December 2017 <i>RMB' million</i>
Historical transaction amounts	3,942	2,790	3,314 <i>(Note)</i>
Existing annual caps	6,000	6,000	6,000
Utilisation rate	65.7%	46.5%	N/A
			For the year ending 31 December 2018 <i>RMB' million</i>
Purchase Cap			7,000

Note: the figure was for the nine months ended 30 September 2017.

With reference to the Board Letter, when determining the Purchase Cap for the year ending 31 December 2018, the Directors took into account of, among other things, (i) the historical transaction amounts of the Purchase Transactions for the two financial years ended 31 December 2016 and financial period for the nine months ended 30 September 2017; (ii) the stable supply of natural gas needed for the newly installed gas-fired generating units of the Group; (iii) the fuel required by the coal-fired generating units with a capacity of 38,540MW and gas-fired generators with a capacity of 4,426.5MW currently operated by the Group for its normal operation; and (iv) the increasing demand of fuel due to the increasing total capacity of the generating units to be operated in 2018.

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We noted that the relevant utilisation rate of the existing annual caps were (i) approximately 65.7% and 46.5% respectively for the year ended 31 December 2015 and 31 December 2016 respectively; and (ii) for illustration purpose only, approximately 73.7% for the year ending 31 December 2017, based on annualized historical amount for the nine months ended 30 September 2017 (i.e. RMB3,314 million / (9/12) = approximately RMB4,419 million).

We noted from the above table that the Company determined an enlarged annual cap for the year ending 31 December 2018, which represented an increase of approximately 16.7% as compared to the existing annual cap of Purchase Transactions for the year ending 31 December 2017. In this regard, we further enquired into the Directors and understood that the increase was mainly due to the change from purchase of coal to purchase of fuel under the Purchase Transactions. As advised by the Directors, the estimated demand on (i) coal is RMB6,000 million for the year ending 31 December 2018 (the “**Coal Demand**”), which is the same as existing annual caps for each of the three years ending 31 December 2017; and (ii) other fuel is RMB1,000 million for the year ending 31 December 2018 (the “**Other Fuel Demand**”).

Coal Demand

According to the above table, the historical transaction amounts under the Purchase Transactions for FY2016 and nine months ended 30 September 2017 were approximately RMB2,790 million and RMB3,314 million respectively.

For our due diligence purpose, we understood from the Directors the calculation of the Coal Demand (i.e. Coal Demand = Annual coal purchase volume (in tonne) x Estimated average price of coal). We further enquired into the Directors the details of the annual coal purchase volume (in tonne) and estimated average price of coal (i.e. RMB600 per tonne) for the year ending 31 December 2018.

Based on information as provided by the Directors, the estimated coal purchase volume (in tonne) under the Fuel Purchase Transactions was approximately 14.3% of estimated total coal purchase volume (in tonne) for the year ending 31 December 2018. For our due diligence purpose, we enquired into the Directors the total historical coal purchase volume (in tonne) for FY2016 and FY2015. We noted that the estimated total coal purchase volume (in tonne) for the year ending 31 December 2018 was (i) less than; and (ii) not substantially deviated from the total historical coal purchase volume (in tonne) for FY2016 and FY2015. In addition, the historical coal purchase volume (in tonne) from China Huadian Group represented approximately 11.5% and 17.1% to the total historical coal purchase volume (in tonne) for FY2016 and FY2015 respectively, with a mean of approximately 14.3%. As such, we consider that the

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estimated coal purchase volume (in tonne) under the Fuel Purchase Transactions for the year ending 31 December 2018 to be fair and reasonable.

In addition, based on CQ Coal (秦皇島煤炭網), the estimated average price of the coal under the Fuel Purchase Transactions is close to the latest Bohai Bay Thermal Coal Price Index (i.e. RMB585 per tonne as at 11 October 2017, being the latest available date for such information).

In light of the above factors, we consider that Coal Demand for the year ending 31 December 2018 to be fair and reasonable.

Other Fuel Demand

As mentioned above, the estimated demand on other fuel is approximately RMB1,000 million for the year ending 31 December 2018.

We enquired into the Directors the estimation demand on other fuel and noted that such estimation was determined based on (i) a new gas-fired generating unit to commence operation by the end of 2017 with installed capacity of 900MW (the “**New Gas-fired Plant**”) and its estimated demand on gas (in cubic metres); and (ii) current price of natural gas as formulated by the local provincial government.

Upon our further enquiry, the Directors provided operational data (i.e. annual consumption on natural gas, installed capacity, etc.) of Tianjin Huadian Fuyuan Thermal Power Company Limited (a Company’s subsidiary), being a gas-fired generating unit with installed capacity of 400MW located in the same city of the New Gas-fired Plant. Having reviewed the installed capacity, annual power generated amount and annual consumption on natural gas (in cubic metres) by Tianjin Huadian Fuyuan Thermal Power Company Limited and estimated demand on gas (in cubic metres) by the New Gas-fired Plant, we do not doubt the reasonableness of the estimated demand on natural gas (in cubic metres) by the New Gas-fired Plant.

In addition, we obtained government document showing natural gas as formulated by local government and noted that the Company adopted government formulated price of natural gas when determining the Other Fuel Demand.

In light of the above factors as well as that (i) the purchase of natural gas from China Huadian Group will ensure the New Gas-fired Plant to have an additional natural gas supply source; and (ii) the Other Fuel Demand is less than the estimated demand on natural gas (in RMB) of New Gas-fired Plan and Tianjin Huadian Fuyuan Thermal Power Company Limited, we consider that the Other Fuel Demand for the year ending 31 December 2018 to be fair and reasonable.

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In light of that (i) Coal Demand for the year ending 31 December 2018 to be fair and reasonable; and (ii) Other Fuel Demand for the year ending 31 December 2018 to be fair and reasonable, we consider that the Purchase Cap for the year ending 31 December 2018 to be fair and reasonable.

B. Service Cap

Set out below are (i) the historical transactions amounts of Service Transactions for the two years ended 31 December 2016 and for the nine months ended 30 September 2017; and (ii) the proposed annual caps of Service Transactions for the year ending 31 December 2018 (the “**Service Cap**”):

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
Services Transactions	RMB' million	RMB' million	RMB' million
Historical transaction amounts	2,194	3,401	2,314 <i>(Note)</i>
Existing annual caps	3,000	4,500	5,000
Utilisation rate	73.1%	75.6%	N/A
			For the year ending 31 December 2018
			<i>RMB' million</i>
Service Cap			7,000

Note: the figure was for nine months ended 30 September 2017.

As advised by the Directors, when estimating the Service Cap for the year ending 31 December 2018, the Company has mainly considered, among other things: (i) 68 projects being approved and under construction as at the Latest Practicable Date, and (ii) the Chinese government has increased the environment requirements.

We note that the relevant utilisation rate of the existing annual caps are approximately 73.1% and 75.6% respectively for the year ended 31 December 2015 and 31 December 2016 respectively.

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With reference to the 2017 Interim Report, as at 30 June 2017, the Group's major generating units which have been approved, filed and under construction regarding among other things, (i) gas-fired generating units amounted to approximately 5,118.8MW; (ii) hydropower generating units amounted to approximately 492MW; (iii) wind power generating units amounted to approximately 2,137.1MW; and (iv) photovoltaic power generating units amounted to 886MW. The Directors further advised us that the average cost unit per KW for construction of (i) gas-fired generating units; (ii) hydropower generating units; (iii) wind power generating units; and (iv) photovoltaic power generating units. For our due diligence purpose, we enquired into the Directors the average cost unit per KW for construction of aforesaid power generating units and noted that the estimated average cost unit per KW is in line with historical average cost unit per KW. The Service Cap for the year ending 31 December 2018 is less than implied total cost of aforesaid approved, field and under construction projects.

In addition, we also enquired into the Directors the historical construction cost (including service provided by both connected parties and independent third parties) of each of aforesaid power generating units for the year ended 31 December 2016 and noted that the Service Cap for the year ending 31 December 2018 is less than aforesaid historical construction cost for the year ended 31 December 2016.

In light of the above factors, we consider that the Service Cap for the year ending 31 December 2018 to be fair and reasonable.

C. *Sale Cap*

Set out below are (i) the historical transactions amounts of Fuel Sale Transactions for the two years ended 31 December 2016 and for the nine months ended 30 September 2017; and (ii) the proposed annual caps of Fuel Sale Transactions for the year ending 31 December 2018 (the "**Sale Cap**", collectively with the Purchase Cap, the Service Cap, the "**Fuel and Services Caps**"):

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
Fuel Sale Transactions	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Historical transaction amounts	226	619	7,695 ^(Note)
Existing annual caps	2,000	2,000	12,000
Utilisation rate	11.3%	31.0%	N/A

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For the year ending
31 December 2018
RMB' million

Sale Cap 13,000

Note: The figure was for the nine months ended 30 September 2017.

As advised by the Directors, when estimating the Sale Cap for the year ending 31 December 2018, the Company has mainly considered, among other things: (i) the historical transaction amounts of such sales under the Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement for the financial years ended 31 December 2015 and 2016 and the nine months ended 30 September 2017, (ii) the fact that the provision of the relevant services is routine and recurring maintenance work that needs to be conducted regularly, and (iii) the expansion of the business scope of Beijing Fuel Logistics Co., Ltd.* (北京燃料物流有限公司), “**Beijing Fuel Logistics**”) from “the purchase and sale of coal to the power generating subsidiaries of the Group” to the expanded business scope took effect at the end of 2016 of “the sale of coal to the coal-fired generating enterprises of China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi”, in addition to “the purchase and sale of coal to the power generating subsidiaries of the Group” (the “**Expansion**”).

Furthermore, we note that the relevant utilisation rate of the existing annual caps are (i) approximately 11.3% and 31.0% respectively for the year ended 31 December 2015 and 31 December 2016 respectively; and (ii) for illustration purpose only, approximately 85.5% for the year ending 31 December 2017, based on annualized historical amount for the nine months ended 30 September 2017 (i.e. RMB7,695 million / (9/12) = approximately RMB10,260 million). For our due diligence purpose, we enquired into the Directors regarding reasons for low utilisation rate of the previous annual cap for each of the two years ended 31 December 2016 and the substantial increase in sale of coal by the Group to China Huadian Group for the nine months ended 30 September 2017. We understood that such substantial increase in the Fuel Sale Transactions was mainly due to expansion of the business scale of the Beijing Fuel Logistics, which took effect at the end of 2016 and allowed Beijing Fuel Logistics to sell coal to the coal-fired generating enterprises of China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi with effect from end of 2016. As confirmed by the Directors, before the Expansion taking effect, Beijing Fuel Logistics did not sell coal to the coal-fired generating enterprises of China Huadian in regions including Jiangsu, Fujian, Hunan, Tianjin and Guangxi and the Sale Caps for the two years ended 31 December 2016 did not include such amount.

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As further advised by the Directors, the expansion of the business scale of Beijing Fuel Logistics was an internal business reorganization of the Group. After the expansion of the business scale, Beijing Fuel Logistics, through the further implementation of centralised and scaled procurement as well as the expansion of its operational scale, was able to increase its negotiation and bargaining power in respect of coal procurement, which in turn allowed the Group to be able to control its cost of coal more effectively and to increase its competitiveness.

In addition, we also enquired into the Directors regarding the calculation of the Sale Cap for the year ending 31 December 2018 and noted that such Sale Cap was determined based on (i) estimated quantity of coals to be sold to China Huadian Group; and (ii) estimated average price of coal. We noted that majority of estimated total quantity of coals would be sold by Beijing Fuel Logistics. In this regard, we further enquired into the Directors regarding the historical quantity of coals sold by Beijing Fuel Logistics for the nine months ended 30 September 2017. Based on aforesaid information, we noted that the estimated quantity of coals to be sold by Beijing Fuel Logistics was in line with annualised sale volume for the nine months ended 30 September 2017.

We also noted that the estimated average price of coal under the Fuel Sale Transactions are the same as that under the Fuel Purchase Transactions, which is close to the latest Bohai Bay Thermal Coal Price Index.

With reference to the Board Letter, the Company has applied approximately 3% of the Sale Cap for the year ending 31 December 2018 to cover the possible demand of services by China Huadian Group such as overhauls and maintenance of generating units of power plants, alternative power generation and relevant quota services. Having considered that (i) the requirement for the aforesaid services would be determined by China Huadian Group; and (ii) the service provider would be selected by bidding process, we are of the view that approximately 3% of the Sale Cap for the year ending 31 December 2018 to cover the possible demand of aforesaid services to be acceptable.

Based on the above factors, we are of the view that the Sale Cap for the year ending 31 December 2018 to be fair and reasonable.

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Shareholders should note that as the Purchase Cap, Service Cap and Sale Cap are relating to future events and were estimated base on assumptions which may or may not remain valid for the entire period up to 31 December 2018, and they do not represent forecast of revenues/costs or purchases/sales to be recorded/incurred from the Fuel and Services Transactions. Consequently, we express no opinion as to how closely the actual revenue, purchase or cost to be recorded/incurred under the Fuel and Services Transactions correspond with their respective caps.

4. *Hong Kong Listing Rules implication regarding the Fuel and Services Transactions*

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 of the Fuel and Services Transactions must be restricted by the Fuel and Services Caps for the period concerned under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement; (ii) the terms of the Fuel and Services Transactions (including the Fuel and Services Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Fuel and Services Transactions must be included in the Company's subsequent published annual reports and financial accounts. 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 Fuel and Services Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not, in all material respects, in accordance with the relevant agreement governing the transaction; and (iv) have exceeded the Fuel and Services Caps. In the event that the total amounts of the Fuel and Services Transactions are anticipated to exceed the Fuel and Services Caps, or that there is any proposed material amendment to the terms of the Fuel and Services 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 Fuel and Services Transactions and thus the interest of the Independent Shareholders would be safeguarded.

5. Recommendation on the Fuel and Services Transactions

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Fuel and Services 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 resolution(s) to be proposed at the EGM to approve the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

B. Deposit Services

1. Background of the Deposit Services

Information on Huadian Finance

With reference to the Board Letter, Huadian Finance was established on 12 February 2004 as a limited liability company in Beijing, the PRC. It is licensed by the CBRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, interbank lending, finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment to member companies, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to member companies, and other types of financial services as approved by the CBRC.

As further advised by the Directors, Huadian Finance is required to operate in compliance with the Measures for Administration of the Finance Companies of Enterprise Groups (the "Measures") promulgated by the CBRC to regulate the operation of group finance companies and reduce possible financial risk. We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, reporting to the CBRC, etc.

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The table below sets out the key financial ratio requirements of the Measures and the respective financial ratios of Huadian Finance for the nine months ended 30 September 2017, the year ended 31 December 2016 and 31 December 2015 as provided by the Company.

Financial ratio	Requirements	Financial ratios of Huadian Finance		
		For the nine months ended 30 September 2017 <i>(approximate %)</i>	For the year ended 31 December 2016 <i>(approximate %)</i>	For the year ended 31 December 2015 <i>(approximate %)</i>
Capital adequacy ratio	Not less than 10%	Lowest during the respective period		
		16.22	16.40	17.06
Inter-financial institution borrowing balances to total capital ratio	Not more than 100%	Highest during the respective period		
		Nil	Nil	28.87
Total amount of outstanding guarantees to total capital ratio	Not more than 100%	48.12	60.10	46.59
Long-term and short-term investment to total capital ratio	Not more than 70%	63.68	64.81	67.65
Self-owned fixed assets to total capital ratio	Not more than 20%	0.09	0.07	0.03
Non-performing loan ratio	Not more than 5%	Nil	Nil	Nil

As shown in the table above, we note that Huadian Finance complied with the relevant financial ratio requirements as set out in the Measures during 2015, 2016 and first nine months of 2017. As also confirmed by the Directors of the Company, they are not aware of any record of non-compliance with relevant laws and regulations of the PRC on Huadian Finance in recent three years.

In June 2017, Huadian Finance was rated as “AAA Credit Rating” by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司), which evidenced that Huadian Finance has healthy cash flow and strong capability to repay its debt.

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Reasons for the Deposit Services

With reference to the Board Letter, the Company considers that it is beneficial to continue to enter into the Proposed Financial Services Agreement with Huadian Finance due to the long-term relationship between the Group and Huadian Finance. The Deposit Services had facilitated the growth of the principal business and installation capacity of the Group, had improved the utilization efficiency of the capital of the Group, and had enabled the Group to gain desirable profits. The Deposit Services will also continue to facilitate the operation and growth of the business of the Group.

The Directors consider that by entering into the Proposed Financial Services Agreement, the Group will be able to conduct the deposit business through Huadian Finance in whole or in part based on the terms and conditions of the deposit services offered by Huadian Finance. It is beneficial for the Group to enhance fund management and control and minimize and avoid operating risks and for the Group to reduce the remittance time and accelerate cash flows, which is in the interest of the Company and shareholders.

Huadian Finance is a non-banking financial institution authorized and regulated by the People's Bank of China and the CBRC, and provides financial services in compliance with the rules and other operational requirements of these regulatory authorities. As far as the Directors are aware, Huadian Finance has established stringent internal control measures to ensure effective risk management and compliance with laws and regulations. The purpose for the establishment of Huadian Finance is to strengthen the central management of funds within Huadian Group and enhance the efficiency of such funds.

With reference of Huadian Finance's articles of association, China Huadian, being the parent company of Huadian Finance, has undertaken that in the event that Huadian Finance has payment difficulties, it will increase the registered capital of Huadian Finance in accordance with the actual needs.

In addition, pursuant to the Proposed Financial Services Agreement, interest rates for the Group's deposits with Huadian Finance shall not be lower than the interest rates for deposits offered by the commercial banks in the PRC (such as Industrial and Commercial Bank of China, China Construction Bank and Bank of China) 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.

In view of the above factors as well as the background information of Huadian Finance as mentioned above, we consider the entering into the Deposit Services is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

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2. *Principal terms of the Deposit Services*

Date:	9 November 2017
Parties:	Huadian Finance as financial services provider; the Company as financial services recipient
Term:	Three (3) years commencing from 1 January 2018 and expiring on 31 December 2020
Nature of transactions:	The financial services provided by Huadian Finance including deposit services, settlement services, loan services and other financial services to members of the Group.

Price determination principles of the Deposit Services:

- (i) Interest rates for the Group's deposits with Huadian Finance shall not be lower than the interest rates for deposits offered by the commercial banks in the PRC (such as Industrial and Commercial Bank of China, China Construction Bank and Bank of China) 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;
- (ii) The average daily deposit amount placed by the Group with Huadian Finance shall not be more than the average daily loan amount from Huadian Finance to the Group; and
- (iii) If Huadian Finance is unable to repay the Group's deposits, the Company has the right to terminate the Financial Services Agreement and to set off the deposit amounts due to the Group from Huadian Finance against the loan amounts outstanding from Huadian Finance to the Group. 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 Agreement.

We have reviewed the Proposed Financial Services Agreement and also the Existing Financial Services Agreement dated 6 November 2014 as supplemented by the Supplemental Financial Services Agreement dated 15 May 2015 entered into by the same parties. We noted that, save for the duration and the maximum annual transaction amounts, the principal terms under the Proposed Financial Services Agreement are substantially the same as the Existing Financial Services Agreement entered into by the parties.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained deposit records of the Group showing the interest rates on deposits received from (a) PRC commercial banks; and (b) Huadian Finance for similar period. We also obtained deposit records of other member companies of China Huadian showing the interest rates on deposits received from Huadian Finance for similar period. We noted that, during the similar period, the interest rates provided by Huadian Finance to the Group (i) was not lower than the interest rates for deposits offered by PRC commercial banks; and (ii) was not lower than the interest rates for the same type of deposits provided by Huadian Finance to other member companies of China Huadian (“**Our Findings on Interest Rates**”).

Pursuant to the Proposed Financial Services Agreement, the interests on deposits will be paid quarterly.

In terms of deposit services, before the deposits are placed by the Group with Huadian Finance, Huadian Finance will notify the finance department of the Company the relevant interest rates determined by PBOC in respect of similar services and provide to the Company the cap of the interest rates determined by relevant government authorities, and the relevant interest rates shall be independently verified by the Company. We also understood from the Directors that before placing the deposits in Huadian Finance, the Company’s finance and assets department would monitor the maximum daily deposit balance of the Deposit Services to ensure the actual deposit amount would not exceed the Deposit Caps (as defined below).

As also advised by the Directors of the Group, to further ensure the security of the Group’s funds,

- (i) During the period when the deposits are placed with Huadian Finance, the finance and assets department of the Company is entitled to get access to 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;
- (ii) Huadian Finance will monthly inform the finance and assets department of the Company the balance of the deposits placed by the Group with Huadian Finance and the balance of loans provided by Huadian Finance to the Group; and
- (iii) The finance and assets department of the Company will appoint a designated person to monitor the relevant interest rates determined by PBOC in respect of similar deposit services and loan services as well as 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 Proposed Financial Services Agreement.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we discussed with the Directors regarding the above measures and we consider that the above measures are sufficient for the Company to monitor the transaction under the Deposit Services. Having also considered that (i) the Group placed deposit to both Huadian Finance and PRC commercial banks; and (ii) Our Findings on Interest Rates, we do not doubt the effectiveness of implementation of the above measures.

Taking into account the aforesaid measures, we consider that the effective implementation of the Measures would help to ensure fair pricing of the transactions contemplated under the Proposed Financial Services Agreement according to the above pricing policies.

In light of the above, we are of the view that the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. *The proposed annual caps under the Deposit Services*

Set out below are (i) the historical transactions amounts of Deposit Services for the two years ended 31 December 2016 and for the nine months ended 30 September 2017; and (ii) the proposed annual caps of Deposit Services for the three year ending 31 December 2020 (the “Deposit Cap(s)”):

	For the year ended 31 December 2015 <i>RMB' million</i>	For the year ended 31 December 2016 <i>RMB' million</i>	For the year ending 31 December 2017 <i>RMB' million</i>
Historical transaction amounts			
Maximum average daily deposit balance (inclusive of accrued interests)	6,536	7,051	7,009 ^(Note)
Previous annual caps	7,500	7,500	7,500
Utilisation rate (%)	87.1%	94.0%	93.5%
	For the year ending 31 December 2018 <i>RMB' million</i>	For the year ending 31 December 2019 <i>RMB' million</i>	For the year ending 31 December 2020 <i>RMB' million</i>
Deposit Caps			
Maximum average daily deposit balance (inclusive of accrued interests)	6,800	6,800	6,800

Note: The figure was for the nine months ended 30 September 2017.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Deposit Caps have been determined after taking into account of, among other things, the Group's average deposit level in Huadian Finance and the balance of cash and cash equivalents of the Group as at 31 December 2016 and 30 June 2017 after proper consideration of factors including the amount receivables of the Company according to the business development plan and financial requirements of the Group. Upon our request, the Directors provided us historical monthly deposit in Huadian Finance and other financial institutions respectively during the period from 1 January 2016 to 30 June 2017 and noted that majority deposit was placed in Huadian Finance.

To assess the fairness and reasonableness of the Deposit Caps, we have discussed with the Directors regarding the basis of determination of the Deposit Caps as set out above.

According to the above table, we noted that the relevant utilisation rate of the previous annual caps were approximately 87.1% and 94.0% for the year ended 31 December 2015 and 31 December 2016 respectively. The Deposit Caps for the three years ending 31 December 2020 is less than the existing Deposit Caps under the Proposed Financial Services Agreement dated 5 November 2014 (i.e. RMB7,500 million).

We noted from the 2017 Interim Report that as at 30 June 2017, (i) total amount of Group's cash and cash equivalents amounted to RMB6,301.8 million (as at 31 December 2016: RMB6,358.6 million); and (ii) trade debtors and bills receivable amounted to RMB7,601.7 million (as at 31 December 2016: RMB7,254.9 million). The sum of aforesaid two items (the "Sum") amounted to RMB13,903.5 million (as at 31 December 2016: RMB13,613.5 million). We noted that (i) the Deposit Cap for the year ending 31 December 2018 is close to the cash and cash equivalents as at 30 June 2017; and (ii) the Deposit Caps, which indicate the possible demand on deposit services, for each of the three years ending 31 December 2020 is less than the Sum.

Having considered that (i) the utilisation rate for each of the two years ended 31 December 2016; (ii) the Deposit Cap for the year ending 31 December 2018 is close to the cash and cash equivalents as at 30 June 2017; (iii) the Deposit Cap for the year ending 31 December 2018 which indicates the possible demand on deposit services, is less than the Sum; and (iv) during the period from 1 January 2016 to 30 June 2017, majority deposit was placed in Huadian Finance, we consider that the Deposit Cap for the year ending 31 December 2018 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

As advised by the Directors, it is difficult to forecast the total cash level for the three years ending 31 December 2020. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction to revise the Deposit Caps for the three years ending 31 December 2020. Accordingly, we consider that the Deposit Caps for the two years ending 31 December 2020, which are the same as the Deposit Cap for the year ending 31 December 2018, to be fair and reasonable.

4. *Hong Kong Listing Rules implication regarding the Deposit Services*

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 maximum values of the Deposit Services must be restricted by the Deposit Caps for the period concerned under the Proposed Financial Services Agreement; (ii) the terms of the Deposit Services (including the Deposit Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Deposit Services must be included in the Company's subsequent published annual reports and financial accounts. 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 Deposit Services (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 Deposit Caps. In the event that the total amounts of the Deposit Services are anticipated to exceed the Deposit Caps, or that there is any proposed material amendment to the terms of the Deposit Services, 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 Deposit Services and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

5. Recommendation on the Deposit Services

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Deposit Services is 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 resolution(s) to be proposed at the EGM to approve the Deposit Services and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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

* *For identification purpose only*

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Details of the proposed amendments to the Articles of Association are set out as follows:

1. Paragraph 2 of Article 1 of the original Articles of Association, which reads as follows:

“The Company was established by way of promotion on 28 June 1994 under the approval as evidenced by Document Ti Gai Sheng No. (1994)76 issued by the State Commission for Restructuring the Economic Systems. On the same day, it was registered with the Administration Bureau of Industry and Commerce of Shandong Province and obtained its business licence. The business licence number was No.16907783-5. On 17 April 1997, the Company’s business licence number was changed to 26717022-8. Under the approval given by the Ministry of Foreign Trade and Economic Cooperation of the PRC as evidenced by Document (2000) Wai Jing Mao Zi Er Han Zi No.545, the Company was transformed into a foreign-invested joint stock limited company. On 2 January 2001, the number of the Company’s business licence was changed to Qi Gu Lu Zong Zi No.003922 after relevant alteration of registration particulars was made with the Administration Bureau of Industry and Commerce of Shandong Province.”

is to be revised to read as:

“The Company was established by way of promotion on 28 June 1994 under the approval as evidenced by Document Ti Gai Sheng No. (1994)76 issued by the State Commission for Restructuring the Economic Systems. On the same day, it was registered with the Administration Bureau of Industry and Commerce of Shandong Province and obtained its business licence. The business licence number was No.16907783-5. On 17 April 1997, the Company’s business licence number was changed to 26717022-8. Under the approval given by the Ministry of Foreign Trade and Economic Cooperation of the PRC as evidenced by Document (2000) Wai Jing Mao Zi Er Han Zi No.545, the Company was transformed into a foreign-invested joint stock limited company. On 2 January 2001, the number of the Company’s business licence was changed to Qi Gu Lu Zong Zi No.003922 after relevant alteration of registration particulars was made with the Administration Bureau of Industry and Commerce of Shandong Province. The current unified social credit code of the Company is 913700002671702282.”

2. Paragraph 3 of Article 7 of the original Articles of Association, which reads as follows:

“The actions referred to in the preceding clause include court proceedings and arbitration proceedings. Other senior management members referred to in the Articles of Association mean the deputy general managers, the financial controller and the secretary to the board of directors, the chief engineer and the chief economist (if any) of the Company.”

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

is to be revised to read as:

“The actions referred to in the preceding clause include court proceedings and arbitration proceedings. Other senior management members referred to in the Articles of Association mean the deputy general managers, the financial controller and the secretary to the board of directors, the chief engineer, the chief economist and the chief legal counsel (if any) of the Company.”

3. One article is added in Chapter 1 of the original Articles of Association. Details are as follows:

Article 10 In accordance with the Company Law and the Constitution of the Communist Party of China (the “CPC”), the Company shall establish organisations and working organs of the CPC to play the core role in leadership and politics as well as provide general direction, control the overall situation and ensure implementation. The working organs of the CPC shall be equipped with sufficient staff and provided with sufficient funds.

The CPC organisation shall play a leading role in the leadership and politics of the Company.

4. Article 108 of the original Articles of Association, which reads as follows:

“The board of directors shall be accountable to general meetings and exercise the following functions and powers:

- (1) to convene general meetings and to report on its work to the shareholders in general meetings;
- (2) to implement the resolutions of the general meetings;
- (3) to decide on the Company’s business plans and investment plans;
- (4) to formulate the Company’s annual financial budgets and final accounts;
- (5) to formulate the Company’s profit distribution plan and loss recovery plan;
- (6) to formulate proposals for increase or decrease of the Company’s registered capital and for issue of corporate bonds;
- (7) to draw up plans for repurchase of the Company’s shares or for merger, division or dissolution of the Company;

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

- (8) to determine external investments, acquisition and disposal of assets, assets pledge, entrusted asset management and connected transactions of the Company within the authorisation of the general meeting; and to decide on external guarantees matters other than those requiring approval of the shareholders at general meeting according to relevant laws, administrative regulations and the provisions of the Articles of Association;
- (9) to decide on the establishment of the Company's internal management structure;
- (10) to appoint or remove the Company's general manager or the secretary to the board of directors and, based on the nomination by the general manager, to appoint or remove senior management members including deputy general manager and financial controller of the Company and to determine their remunerations, incentives and punishments;
- (11) to formulate the Company's basic management system;
- (12) to formulate proposals for any amendment to the Articles of Association;
- (13) to manage the information disclosure of the Company;
- (14) to propose at general meetings for the appointment or change of accounting firm conducting auditing for the Company;
- (15) to hear the work report and inspect the work of the general manager;
- (16) to exercise any other functions and powers specified in relevant laws, administrative regulations and the Articles of Association and conferred by the shareholders' general meetings.

Except for the board resolutions in respect of the matters specified in subparagraphs (6), (7) and (12) of this Article which shall be passed by two-thirds or more of the directors, the board resolutions in respect of all other matters (of which external guarantees specified in subparagraph (8) shall also be passed by two-thirds or more of the directors present at the board meeting) may be passed by more than half of the directors.

If any director is connected with the enterprises that are associated with the matters to be resolved by directors at a board meeting, he shall not exercise his voting rights on such matters, nor shall such director exercise voting rights on behalf of other directors. Such a board meeting may be held if attended by more than one half of the non-connected directors. Decisions made at the board meeting shall be passed by more than one half of the non-connected directors. The abovementioned

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matters which require the approval of two-thirds or more of the directors shall be passed by two-thirds or more of the non-connected directors. If the non-connected directors present the board meetings are less than three, such matters shall be placed before shareholders' general meeting of the Company for consideration.

The resolutions made by the board of directors in relation to connected transactions shall not become effective until being signed by the independent directors.”

is to be revised to Article 109. Details are as follows:

“The board of directors shall be accountable to general meetings and exercise the following functions and powers:

- (1) to convene general meetings and to report on its work to the shareholders in general meetings;
- (2) to implement the resolutions of the general meetings;
- (3) to decide on the Company's business plans and investment plans;
- (4) to formulate the Company's annual financial budgets and final accounts;
- (5) to formulate the Company's profit distribution plan and loss recovery plan;
- (6) to formulate proposals for increase or decrease of the Company's registered capital and for issue of corporate bonds;
- (7) to draw up plans for repurchase of the Company's shares or for merger, division or dissolution of the Company;
- (8) to determine external investments, acquisition and disposal of assets, assets pledge, entrusted asset management and connected transactions of the Company within the authorisation of the general meeting; and to decide on external guarantees matters other than those requiring approval of the shareholders at general meeting according to relevant laws, administrative regulations and the provisions of the Articles of Association;
- (9) to decide on the establishment of the Company's internal management structure;

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

- (10) to appoint or remove the Company's general manager or the secretary to the board of directors and, based on the nomination by the general manager, to appoint or remove senior management members including deputy general manager, financial controller, the chief engineer, the chief economist and the chief legal counsel of the Company and to determine their remunerations, incentives and punishments;
- (11) to formulate the Company's basic management system to facilitate the development of legal governance;
- (12) to formulate proposals for any amendment to the Articles of Association;
- (13) to manage the information disclosure of the Company;
- (14) to propose at general meetings for the appointment or change of accounting firm conducting auditing for the Company;
- (15) to hear the work report and inspect the work of the general manager;
- (16) to exercise any other functions and powers specified in relevant laws, administrative regulations and the Articles of Association and conferred by the shareholders' general meetings.

Except for the board resolutions in respect of the matters specified in subparagraphs (6), (7) and (12) of this Article which shall be passed by two-thirds or more of the directors, the board resolutions in respect of all other matters (of which external guarantees specified in subparagraph (8) shall also be passed by two-thirds or more of the directors present at the board meeting) may be passed by more than half of the directors.

If any director is connected with the enterprises that are associated with the matters to be resolved by directors at a board meeting, he shall not exercise his voting rights on such matters, nor shall such director exercise voting rights on behalf of other directors. Such a board meeting may be held if attended by more than one half of the non-connected directors. Decisions made at the board meeting shall be passed by more than one half of the non-connected directors. The abovementioned matters which require the approval of two-thirds or more of the directors shall be passed by two-thirds or more of the non-connected directors. If the non-connected directors present the board meetings are less than three, such matters shall be placed before shareholders' general meeting of the Company for consideration.

The resolutions made by the board of directors in relation to connected transactions shall not become effective until being signed by the independent directors.

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The opinions of the CPC Committee of the Company shall be heard before the board of directors decides on material issues of the Company.”

5. Article 147 of the original Articles of Association, which reads as follows:

“No more than two persons holding the position of the chairman of the board of directors, vice chairmen of the board of directors or directors of the Company’s controlling shareholder may concurrently serve as the chairman of the board of directors, vice chairmen of the board of directors or directors of the Company. The management personnel of the Company’s controlling shareholder may not concurrently serve as the general manager, deputy general managers, financial controller, marketing manager or secretary to the board of directors of the Company.”

is to be revised to Article 148. Details are as follows:

“No more than two persons holding the position of the chairman of the board of directors, vice chairmen of the board of directors or directors of the Company’s controlling shareholder may concurrently serve as the chairman of the board of directors, vice chairmen of the board of directors or directors of the Company. The management personnel of the Company’s controlling shareholder may not concurrently serve as the general manager, deputy general managers, financial controller, the chief engineer, the chief economist, marketing manager, secretary to the board of directors and the chief legal counsel of the Company.”

6. Chapter 15 is added subsequent to Chapter 14 of the original Articles of Association. Details are as follows:

“Chapter 15 The CPC Committee

Article 172 The Company shall establish the CPC Committee consisting of a secretary and several other members. Eligible members of the CPC Committee may be elected as members of the directors, supervisors, general manager and other senior management through statutory procedures. Eligible members in the directors, supervisors, general manager and other senior management who are members of the CPC may be considered and appointed as members of the CPC Committee in accordance with relevant requirements and procedures. Meanwhile, the Company shall establish the Discipline Inspection Committee in accordance with relevant regulations.

Article 173 The CPC Committee of the Company shall perform its duties in accordance with the Constitution of the CPC and other internal requirements of the CPC.

(1) to ensure and supervise the Company’s implementation of the policies and guidelines of the CPC and the State and to implement major strategic decisions of the Central Committee of the CPC and the State Council, as well as important work arrangements of the CPC

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Committee of the State-owned Assets Supervision and Administration Commission and other CPC organisations of higher levels;

- (2) to uphold the integration of the principle of management of cadres by the CPC with the function of the board of directors in the lawful selection of the operation management and with the lawful exercise of the authority of employing personnel by the operation management. The CPC Committee shall consider and provide opinions on the candidates nominated by the board of directors or the general manager, or recommend candidates to the board of directors or the general manager. The CPC Committee, together with the board of directors, shall evaluate the proposed candidates and put forth comments and suggestions collectively;
- (3) to consider and discuss the reform, development and stability of the Company, major operational and management issues and major issues concerning employee interests, and provide comments and suggestions thereon;
- (4) to undertake the main responsibility to overall and strictly administer the CPC, lead the Company's ideological and political work, united front work, spiritual civilisation construction, enterprise cultural construction and the work of organisations such as the labor union and the communist youth league. To take the lead on improving the honesty of conduct of the CPC and to support the fulfillment of the supervision responsibility of the Discipline Inspection Committee."

7. Article 9 of the Rules of Procedures for the Board of Directors in Appendix II 7 of the original Articles of Association, which reads as follows:

"The Board reports to general meetings and exercises the following powers:

- (1) to convene general meetings and report its work to general meetings;
- (2) to implement the resolutions passed at general meetings;
- (3) to decide the Company's business plans and investment schemes;
- (4) to formulate the Company's annual budget scheme and budget implementation proposal;
- (5) to formulate the Company's profit distribution plan and loss recovery plan;
- (6) to formulate proposals for increases or reductions of the Company's registered capital and the issue of corporate debentures;

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- (7) to draw up plans for repurchase of the Company's shares or the proposal for merger, division or dissolution of the Company;
- (8) to determine the external investment, purchase and sale of assets, assets mortgage, entrusted asset management, connected transactions of the Company and the external guarantees other than those requiring approval of the general meeting in accordance with relevant laws, administrative regulations or the Articles of Association within the authorization of the general meeting;
- (9) to determine the establishment of the Company's internal management structure;
- (10) to appoint or dismiss the Company's general manager and the secretary to the Board, and pursuant to the general manager's nominations to appoint or dismiss the senior management members including the deputy general managers, financial officers of the Company and determine their remuneration, bonus and punishment;
- (11) to formulate the Company's basic management system;
- (12) to formulate the proposed amendments to the Articles of Association;
- (13) to manage the information disclosure of the Company;
- (14) to propose at general meetings for the appointment or change of accounting firms providing audit service for the Company;
- (15) to hear the work report and inspect the work of the general manager;
- (16) to exercise any other powers specified in relevant laws, regulations or the Articles of Association and conferred by general meetings."

is to be revised to read as:

"The Board reports to general meetings and exercises the following powers:

- (1) to convene general meetings and report its work to general meetings;
- (2) to implement the resolutions passed at general meetings;
- (3) to decide the Company's business plans and investment schemes;
- (4) to formulate the Company's annual budget scheme and budget implementation proposal;

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- (5) to formulate the Company's profit distribution plan and loss recovery plan;
- (6) to formulate proposals for increases or reductions of the Company's registered capital and the issue of corporate debentures;
- (7) to draw up plans for repurchase of the Company's shares or the proposal for merger, division or dissolution of the Company;
- (8) to determine the external investment, purchase and sale of assets, assets mortgage, entrusted asset management, connected transactions of the Company and the external guarantees other than those requiring approval of the general meeting in accordance with relevant laws, administrative regulations or the Articles of Association within the authorization of the general meeting;
- (9) to determine the establishment of the Company's internal management structure;
- (10) to appoint or dismiss the Company's general manager and the secretary to the Board, and pursuant to the general manager's nominations to appoint or dismiss the senior management members including the deputy general managers, financial officers, chief engineer, chief economist and chief legal counsel of the Company and determine their remuneration, bonus and punishment;
- (11) to formulate the Company's basic management system and to promote legal construction;
- (12) to formulate the proposed amendments to the Articles of Association;
- (13) to manage the information disclosure of the Company;
- (14) to propose at general meetings for the appointment or change of accounting firms providing audit service for the Company;
- (15) to hear the work report and inspect the work of the general manager;
- (16) to exercise any other powers specified in relevant laws, regulations or the Articles of Association and conferred by general meetings.

In accordance with Article 173 of the Articles of Association, the CPC Committee of the Company shall consider and provide opinions on the candidates nominated by the board of directors or the general manager, or recommend candidates to the board of directors or the general manager. The CPC Committee, together with the board of directors, shall evaluate the proposed candidates and put forth comments and suggestions collectively."

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

8. Article 26 of the Rules of Procedures for the Board of Directors in Appendix II of the original Articles of Association, which reads as follows:

“In the spirit of democracy for discussions, each director’s opinion shall be respected at Board meetings.”

is to be revised to read as:

“In the spirit of democracy for discussions, each director’s opinion shall be respected at Board meetings.

In accordance with Article 109 of the Articles of Association, the opinions of the CPC Committee of the Company shall be heard before the board of directors decides on material issues of the Company.”

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

Name	Position in the Company	Number of A shares of the Company held as personal interest		Capacity
Gou Wei	Non-executive Director	10,000	(Note)	Beneficial owner

Note: Representing approximately 0.0001% of the total issued A shares of the Company as at the Latest Practicable Date.

Save as disclosed above, 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 was 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 are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed 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).

Three Directors, namely Mr. Zhao Jianguo, Mr. Gou Wei and Mr. Chu Yu, who hold positions in or are employees of China Huadian or its subsidiary, have abstained from voting on the relevant Board resolutions approving (i) the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the continuing connected transactions thereunder and their respective proposed annual caps; (ii) the provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Agreement and the proposed maximum average daily balance of such deposit; and (iii) the exempted financial assistance from China Huadian under the Proposed Loan Framework Agreement. 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 Division 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 qualifications of Gram Capital:

Name	Qualifications
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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 2016, 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 2016, 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 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 stated in the section head “Information of the Parties” in the letter from the Board included in this circular, the Group and China Huadian are both energy companies engaged in businesses including power generation.

As at the Latest Practicable Date, save as disclosed below, none of the other 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 were treated as a controlling shareholder of the Company under Rule 8.10 of the Hong Kong Listing Rules.

Name of Directors	Position in the Company	Other Position(s) in China Huadian
Zhao Jianguo	Chairman of the Board and non-executive Director	Chairman
Gou Wei	Non-executive Director	Head of financial and risk management department of China Huadian
Chu Yu	Non-executive Director	Chairman of China Huadian Group Capital Holdings Company Limited, a subsidiary of China Huadian

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 or supervisors of the Company had any direct or indirect interest in any assets which had been since 31 December 2016 (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. MATERIAL LITIGATION

As at the Latest Practicable Date, certain members of the Group were a party to certain litigations arising from the ordinary course of business or assets acquisition. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that any possible legal liability which may result from the aforesaid cases will not have a material adverse effect on the financial position and operating results of the Group. Save as disclosed, as at the Latest Practicable Date, no other material litigation or claims were pending or threatened or made against the Group so far as the Directors are aware.

9. 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 Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, 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 (except for Appendix I to this circular, the Chinese text of which shall prevail over its English text in the case of inconsistency) shall prevail over its Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the (i) Existing Coal, Equipments and Services Purchase (Supply) Framework Agreement; (ii) Existing Financial Services Agreement and Supplemental Agreement to Financial Services Agreement; (iii) Existing Loan Framework Agreement; (iv) Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement; (v) Proposed Financial Services Agreement; (vi) Proposed Loan Framework Agreement; (vii) the Articles of Association; (viii) the letter from the Board, the text of which is set out on pages 1 to 23 of this circular; (ix) the letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this circular; and (x) the letter from Gram Capital, the text of which is set out on pages 26 to 53 of this circular will be available for inspection at the offices of Alpha Financial Press Limited, 7th Floor, Nexxus Building, 41 Connaught Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 19 December 2017.

NOTICE OF EGM



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "EGM") of Huadian Power International Corporation Limited* (the "**Company**") will be held at 2:30 p.m. on Friday, 29 December 2017 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. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the announcement of the Company dated 9 November 2017 (the "**Announcement**"). A circular containing, among other things, details of the proposed amendments to the Articles of Association and the relevant transactions, a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders on those transactions and the recommendation of the Independent Board Committee to Independent Shareholders regarding such transactions (the "**Circular**"), is expected to be despatched to the Shareholders on or before 13 December 2017.

SPECIAL RESOLUTION

1. To consider and approve, by way of special resolution, the proposed amendments to the Articles of Association set out in the Circular.

ORDINARY RESOLUTIONS

2. To consider and approve, by way of separate ordinary resolutions, the entering into by the Company of the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian for a term of one year from 1 January 2018 to 31 December 2018 and the following continuing connected transactions between the Group and China Huadian contemplated thereunder and their respective annual caps; and to authorize the general manager of the Company or his authorized person(s) to make the necessary amendments to the agreement at his/their discretion in accordance with relevant domestic and overseas regulatory requirements and execute the agreement once a consensus is reached, and to complete other necessary procedures and formalities according to the relevant requirements:

NOTICE OF EGM

- a. the purchase of fuel by the Group from China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian, and that the annual cap of such continuing connected transactions be set at RMB7 billion for the financial year ending 31 December 2018;
 - b. the provision of engineering equipments, systems, products, engineering and construction contracting, environmental protection system renovation project, and Miscellaneous and Relevant Services to the Group by China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian, and that the annual cap of such continuing connected transactions be set at RMB7 billion for the financial year ending 31 December 2018; and
 - c. the sales of fuel and provision of relevant services by the Group to China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian, and that the annual cap of such continuing connected transactions be set at RMB13 billion for the financial year ending 31 December 2018.
3. To consider and approve, by way of ordinary resolution, the continuing connected transactions in relation to the provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Agreement between the Company and Huadian Finance and that the proposed maximum average daily balance of deposits (including accrued interest thereon) placed by the Group with Huadian Finance pursuant to the agreement be set at RMB6.8 billion, the daily balance of which shall not exceed the average daily balance of the loan granted by Huadian Finance to the Group, for the three financial years ending 31 December 2020; and authorize the general manager of the Company or his authorized person(s) to make the necessary amendments to the agreement at their discretion in accordance with relevant domestic and overseas regulatory requirements and execute the agreement once a consensus is reached, and to complete other necessary procedures and formalities according to the relevant requirements.
4. To consider and approve, by way of ordinary resolution, the entering into by the Company of the Loan Framework Agreement with China Huadian and the continuing connected transactions contemplated thereunder (an exempted financial assistance under the Hong Kong Listing Rules), and approve China Huadian and its subsidiaries and the companies whose 30% or more equity interests are directly or indirectly held by China Huadian to provide the Group with a balance of borrowings not exceeding RMB20 billion for each of the financial year from 2018 to 2020; and authorize the general manager of the Company or his authorized person(s) to make the necessary amendments to the agreement at their discretion in accordance with relevant domestic and overseas regulatory requirements and execute the agreement once a consensus is reached, and to complete other necessary procedures and formalities according to the relevant requirements, provided that

NOTICE OF EGM

(i) the financing cost of the Group shall not be higher than that available to the Company from the commercial banks for the same financing products with the same term during the same period and the loans are conducted on normal commercial terms or better terms to the Group; and (ii) the loans are not secured by any of the assets of the Group.

By order of the Board
Huadian Power International Corporation Limited*
Zhou Lianqing
Secretary to the Board

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

Zhao Jianguo (Chairman, Non-executive Director), Chen Bin (Vice Chairman, Executive Director), Wang Yingli (Vice Chairman, Non-executive Director), Tian Hongbao (Executive Director), Gou Wei (Non-executive Director), Chu Yu (Non-executive Director), Zhang Ke (Non-executive Director), Ding Huiping (Independent Non-executive Director), Wang Dashu (Independent Non-executive Director), Wang Chuanshun (Independent Non-executive Director) and Zong Wenlong (Independent Non-executive Director).

Beijing, the PRC
14 November 2017

Notes:

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

Shareholders of the Company's H shares whose names appear on the Company's register of members at the close of business on Wednesday, 29 November 2017 (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, 30 November 2017 to Friday, 29 December 2017, 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, holders of H shares 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 29 November 2017.

2. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

- (1) Registered Shareholders who intend to attend the EGM are required to deliver the completed and signed written reply slip to the Secretarial Office of the Board of the Company on or before Friday, 8 December 2017. Please use the "**Reply Slip for Attendance**", or a duplicate copy thereof to reply. Save as the requirements mentioned above, Registered Shareholders who intend to attend the EGM shall, if applicable, also deliver copies of their instrument(s) of transfer and the relevant share certificates to the Secretarial Office of the Board of the Company on or before Friday, 8 December 2017.

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- (2) 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, and shall issue copies or facsimile copies of admission cards for attending the EGM by post or by facsimile. Shareholders or their proxies may produce such copies of the admission cards at the time of attending the EGM in exchange for the original of the admission cards of 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 or any adjournment thereof (as the case may be).

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 about 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 7903
Fax No.: (86)10 8356 7963

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

Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
Tel No.: (852) 2862 8628
Fax No.: (852) 2865 0990/2529 6087

- (5) For details of the proposed amendments to the Articles of Association, please refer to the announcement of the Company dated 27 October 2017.

* *For identification purposes only*