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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 12 November 2018) 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)

### 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

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A letter from the Board is set out on pages 1 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 21 to 50 of this circular.

The notice convening the EGM of the Company to be held at 2:30 p.m. on Thursday, 27 December 2018 at Huabin International Hotel, No.4 Xuanwumennei Street Xicheng District, Beijing, the PRC was despatched to the Shareholders on 12 November 2018, which is reproduced on pages 56 to 59 of this circular.

If you are eligible and intend to attend the EGM, please complete and return the reply slip despatched on 12 November 2018 in accordance with the instructions printed thereon on or before Thursday, 6 December 2018. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the proxy form despatched on 12 November 2018 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.

28 November 2018

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## DEFINITIONS

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

“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;
“CBIRC”	means China Banking and Insurance Regulatory Commission;
“China Huadian”	means China Huadian Corporation Ltd.* (中國華電集團有限公司), a wholly PRC State-owned enterprise, and the controlling shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries 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 convened to consider and to approve, among others, the continuing connected transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and the transactions involving the provision of deposit services under the Proposed Financial Services Framework Agreement as well as the relevant proposed annual caps and the maximum average daily balance;

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## DEFINITIONS

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“Existing 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, the principal terms of which have been disclosed in the announcement of the Company dated 9 November 2017 and its circular dated 5 December 2017;
“Existing 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 fuel 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 9 November 2017 and its circular dated 5 December 2017;
“Group”	means the Company and its subsidiaries;
“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 Framework Agreement and related matters pursuant to the requirements of the Hong Kong Listing Rules;
“Independent Financial Adviser” or “Gram Capital”	Means Gram Capital limited, the independent financial adviser to 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 Framework Agreement;

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## DEFINITIONS

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“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 Framework Agreement and the maximum average daily balance of the deposit under the Hong Kong Listing Rules;
“Latest Practicable Date”	means 22 November 2018, 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 II in the Letter from the Board of this circular;
“PBOC”	means the People’s Bank of China;
“PRC”	means the People’s Republic of China;
“Proposed Financial Services Framework Agreement”	means the financial services framework agreement entered into between Huadian Finance and the Company on 2 November 2018 in relation to the provision of financial services by Huadian Finance;
“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 2 November 2018 in relation to the mutual supply of fuel and provision of products and services between China Huadian and the Group;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“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; and
“%”	means per cent.

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## LETTER FROM THE BOARD

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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)

*Directors:*

Zhao Jianguo (*Chairman, Non-executive Director*)  
Chen Bin (*Vice Chairman, Executive Director*)  
Ni Shoumin (*Vice Chairman, Non-executive Director*)  
Tian Hongbao (*Executive Director*)  
Gou Wei (*Non-executive Director*)  
Chu Yu (*Non-executive Director*)  
Wang Xiaobo (*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:*

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Xicheng District  
Beijing, the PRC

*Place of business in Hong Kong:*

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

28 November 2018

*To the Shareholders,*

Dear Sir/Madam,

## CONTINUING CONNECTED TRANSACTIONS

### I. INTRODUCTION

Reference is made to the announcement of the Company dated 2 November 2018 in relation to the continuing connected transactions.

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## LETTER FROM THE BOARD

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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 continuing connected transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement and their respective proposed annual caps; and
- (ii) the continuing connected transactions in relation to the provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Framework Agreement and the maximum average daily balance of the deposit placed by the Group with Huadian Finance.

### II. PROPOSED FUEL, EQUIPMENTS AND SERVICES PURCHASE (SUPPLY) FRAMEWORK AGREEMENT WITH CHINA HUADIAN

#### 1. Major Terms

The major terms of the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement are set out below:

Date: 2 November 2018

Parties: the Company; and  
China Huadian

Term: One (1) year commencing from 1 January 2019 and expiring on 31 December 2019

Transactions: ***Products and services provided by China Huadian to the Group***

- (1) supply of fuel by China Huadian to the Group;

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## LETTER FROM THE BOARD

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- (2) provision of engineering equipments (including but not limited to transducers, recycled water and desulphurisation systems), systems, products, engineering and construction contracting projects and environmental protection system renovation projects by China Huadian to the Group;
- (3) provision of supplies procurement services and miscellaneous and relevant services by China Huadian to the Group, 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;
  - (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



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## LETTER FROM THE BOARD

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### *Products and services provided by the Group to China Huadian*

- (1) supply of fuel by the Group to China Huadian;
- (2) provision of services such as overhauls and maintenance of generating units of power plants and alternative power generation and relevant quota services by the Group to China Huadian.

Price determination principles and internal procedures:

The consideration of the transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement will be 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. The Company has adopted appropriate internal procedures to ensure that (i) for transactions involving the provision of the products and services by China Huadian to the Group, the terms of such transactions will be fair and reasonable and no less favourable to the Group than those provided by independent third parties; and (ii) for transactions involving the provision of the products and services by the Group to China Huadian, the terms of such transactions will be fair and reasonable and no more favourable to China Huadian than those provided to independent third parties.

### *Mutual supply of fuel*

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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## LETTER FROM THE BOARD

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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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## LETTER FROM THE BOARD

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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.

In terms of purchasing natural gas, 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.

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## LETTER FROM THE BOARD

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### *Other products and services provided by China Huadian to the Group*

The consideration for the provision of products and main services by China Huadian to the Group as contemplated under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement will be determined by reference to the following pricing principles:

- (1) price 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; 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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## LETTER FROM THE BOARD

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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.

### *Services provided by the Group to China Huadian*

The consideration for the provision of services by the Group to China Huadian as contemplated under the Proposed Fuel, 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 fee for the provision of such services with reference to the abovementioned factors. Since 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.

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

## LETTER FROM THE BOARD

### 2. Historical Amounts

The actual amounts and the annual caps of the historical transactions under the Existing Fuel, Equipments and Services Purchase (Supply) Framework Agreement for the two (2) years ended 31 December 2017, and for the nine (9) months ended 30 September 2018 are set out below:

Transactions	For the twelve months ended 31 December 2016		For the twelve months ended 31 December 2017		Actual amount for the nine months ended 30 September 2018	Annual cap for the year ending 31 December 2018
	Actual amount (RMB millions)	Annual cap (RMB millions)	Actual amount (RMB millions)	Annual cap (RMB millions)		
<b>Expenditure</b>						
(a) Purchase of fuel from China Huadian	2,790	6,000	3,889	6,000	2,660	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	3,401	4,500	4,810	5,000	3,033	7,000
<b>Revenue</b>						
(c) Sale of fuel and relevant services to China Huadian	619	2,000	10,729	12,000	8,417	13,000

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## LETTER FROM THE BOARD

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### 3. Proposed Annual Caps

The Directors propose the annual caps for the transactions contemplated under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement for the year ending 31 December 2019 as follows:

<b>Transactions</b>	<b>Proposed annual caps for the year ending 31 December 2019 (RMB millions)</b>
<b>Expenditure</b>	
(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	<u>8,000</u>
Total:	<u><u>15,000</u></u>
<b>Revenue</b>	
(c) Sale of fuel and relevant services to China Huadian	<u>13,000</u>
Total:	<u><u>13,000</u></u>

In the process of estimating the annual caps for the purchase of fuel, engineering equipments and relevant services from China Huadian for the year ending 31 December 2019, the Company has considered: (i) the historical transaction amounts of such purchases under the Existing Fuel, Equipments and Services Purchase (Supply) Framework Agreement for the two (2) years ended 31 December 2017 and the nine months ended 30 September 2018, and the estimation that the actual transaction amounts will climb close to the annual caps during the fourth quarter of 2018 due to the large amount of settlement in the fourth quarter, which is in line with the Company's previous practice that the majority of historical transaction amount were recorded in the fourth quarter of the financial year; (ii) possible fluctuation in coal price; (iii) increased fuel demand due to the newly installed coal-fired generating units which have commenced operations recently; and (iv) the Group's increasing demand for environmental protection related service due to its intensive implementation on the

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## LETTER FROM THE BOARD

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sealing of coal plant in Beijing-Tianjin-Hebei region and sewage treatment. More than 50% of the Company's coal-fired generating units are located in Beijing-Tianjin-Hebei region (including Shandong Province). Pursuant to the Action Plan for Tackling Air Pollution in Beijing-Tianjin-Hebei Region And Surrounding Areas (京津冀及周邊地區大氣污染綜合治理攻堅行動方案), in order to prevent dust pollution, the Company plans to implement intensively the sealing of coal plant in the Beijing-Tianjin-Hebei region in 2019 by placing the coal-fired generating units from the outdoors to buildings. Pursuant to the Water Pollution Prevention and Control Action Plan (水污染防治行動計劃) issued by the State Council, thermal power plants, due to their large demand for water and drainage, shall save water for power generation, improve the recycling rate of circulating water and achieve 'zero discharge' from the economic operation and environmental protection's perspective. Recently the implementation of such plan is becoming more stringent. The Company plans to increase its investment in sewage treatment and renovate the old sewage treatment facilities in 2019.

In the process of estimating the annual cap for the sale of fuel and related services to China Huadian for the year ending 31 December 2019, the Company has considered the historical transaction amount, China Huadian's estimated demand for related products and services in 2019 and the estimated stable supply capacity of the Company.

### III. PROPOSED FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH HUADIAN FINANCE

#### 1. Major terms

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

Date: 2 November 2018

Parties: the Company; and  
Huadian Finance

Term: Three (3) years commencing from 1 January 2019 and expiring on 31 December 2021

Transactions: Huadian Finance will provide financial services to the Group on a non-exclusive basis, including deposit service, settlement service, loan service and other financial services.



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## LETTER FROM THE BOARD

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- Price determination principles: 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 Huadian Finance to other member companies of China Huadian.
- Payment: Deposit interest shall be paid quarterly. The payment terms are in line with the market practice.
- Condition Precedent: The transactions involving the provision of deposit service by Huadian Finance to the Group under the Proposed Financial Services Framework Agreement and the relevant maximum average daily balance are conditional upon the approval of Independent Shareholders of the Company at the EGM.
- Others: The average daily deposit balance placed by the Group with Huadian Finance (inclusive of accrued interests) shall not be more than the average daily loan balance from Huadian Finance to the Group. If Huadian Finance is unable to repay the Group's deposits, the Company has the right to terminate the Proposed Financial Services Framework Agreement and to set off the deposit amounts due to the Group from Huadian Finance against the loan amounts outstanding from the Group to Huadian Finance. In the event that the Group suffers financial loss by reason of the default of Huadian Finance, Huadian Finance shall compensate the Group for the full amount of the loss suffered by the Group and the Group is entitled to terminate the Proposed Financial Services Framework Agreement.

## 2. Internal Procedures

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.

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## LETTER FROM THE BOARD

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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 the policies formulated by PBOC to ensure that each transaction is conducted in accordance with the aforesaid pricing policies of the Proposed Financial Service Framework Agreement.

### **3. Historical amounts of deposit services**

Pursuant to the Existing Financial Services Agreement, the highest average daily deposit balance placed by the Group with Huadian Finance for the year ending 31 December 2018 (inclusive of accrued interests) shall be no more than the average daily loan balance provided by Huadian Finance to the Group and shall not be more than RMB6.8 billion. Such highest average daily deposit balance has been officially approved by Independent Shareholders at the extraordinary general meeting of the Company held on 29 December 2017.

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 two (2) years ended 31 December 2017 and the nine months ended 30 September 2018 were RMB7.051 billion, RMB7.009 billion and RMB6.799 billion, respectively, which did not exceed the then applicable maximum average daily balance or the average daily loan balance provided by Huadian Finance to the Group. From 1 January 2018 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 exceed the average daily loan balance provided by Huadian Finance to the Group or RMB6.8 billion.

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## LETTER FROM THE BOARD

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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.

#### **4. Proposed Annual Caps**

The Directors propose that the maximum average daily balance of deposits placed by the Group with Huadian Finance for each of the three (3) years from 2019 to 2021 under the Proposed Financial Services Framework Agreement be RMB9 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. The maximum average daily balance is determined based on the historical amount and the estimation that the demand of the Group for deposit service will increase in the following years. In view of the positive development trend of the Group, the power generation of the Group will increase due to the operation of new generating units and the increase in utilization hours. Accordingly, the operating income and cash inflows of the Group are expect to increase in the following years. The deposits placed by the Company with Huadian Finance may exceed RMB6.8 billion at certain times in the future, thus, it is recommended that the maximum daily average balance for the deposits placed by the Company with Huadian Finance be appropriately raised.

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

#### **1. The Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement**

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 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). 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.

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## LETTER FROM THE BOARD

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### **2. Proposed Financial Services Framework Agreement**

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.

## **V. HONG KONG LISTING RULES IMPLICATIONS**

### **1. 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 the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### **2. Proposed Financial Services Framework Agreement with Huadian Finance**

Huadian Finance 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 transactions under the Proposed Financial Services Framework 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.

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## LETTER FROM THE BOARD

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As one or more of the applicable percentage ratios in relation to the maximum daily balance of RMB9 billion of the deposit services under the Proposed Financial Services Framework Agreement exceed 5%, the transactions of providing deposit services to the Group by Huadian Finance constitutes discloseable transactions and continuing connected transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 and the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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 Framework Agreement and the proposed maximum average daily balance of such deposit for approval by the Independent Shareholders at the EGM.

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; and (ii) the provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Framework Agreement and the proposed maximum average daily balance of such deposit. 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.

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.

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## LETTER FROM THE BOARD

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### VI. INFORMATION ON THE PARTIES

#### Information relating to 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.

#### Information relating to 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.

#### Information relating to Huadian Finance

Huadian Finance was established on 12 February 2004 as a limited liability company in Beijing, the PRC. It is licensed by the CBIRC 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 CBIRC.

### 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 and the Proposed Financial Services 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; and (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 Framework Agreement are fair and reasonable. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### 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 appendix 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)

28 November 2018

*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 Framework 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 Framework 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 18, pages 19 to 20 and pages 21 to 50 of this circular, respectively.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 Framework 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 Framework Agreement are fair and reasonable.

Accordingly, we recommend the Independent Shareholders to vote in favour of the aforementioned agreements, 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*

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## LETTER FROM GRAM CAPITAL

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*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 Framework 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

28 November 2018

*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 Proposed Finance Services Framework 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 28 November 2018 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.

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## LETTER FROM GRAM CAPITAL

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On 2 November 2018, the Company entered into the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian. Pursuant to the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, (i) China Huadian will supply fuel to the Group (the “**Fuel Purchase Transactions**”); (ii) China Huadian will provide engineering equipments (including but not limited to transducers, recycled water and desulphurisation systems), systems, products, engineering and construction contracting projects and environmental protection system renovation projects and 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 2019 and expiring on 31 December 2019.

On the even date, the Company entered into the Proposed Financial Services Framework Agreement with Huadian Finance. Pursuant to the Proposed Financial Services Framework 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 2019 and expiring on 31 December 2021.

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 be 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.

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## LETTER FROM GRAM CAPITAL

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### **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 the Fuel Purchase Transactions, Services Transactions, Sale 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.

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## LETTER FROM GRAM CAPITAL

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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 Purchase Transactions, Services Transactions, Sale Transactions and Deposit Services, we have taken into consideration the following principal factors and reasons:

#### **Information on the Group**

With reference to the Board Letter, the Group is one of the largest comprehensive energy companies in 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.

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## LETTER FROM GRAM CAPITAL

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### *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 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 eight years.

With reference to the interim report of the company for the six months ended 30 June 2018 (the "**Interim Report**"), the Group's total controlled installed capacity amounted to 49,284.9 MW, of which 39,000 MW was attributable to controlled coal-fired generating units; 4,426.5 MW was attributable to gas-fired generating units, and 5,858.4 MW 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 customized 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.

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## LETTER FROM GRAM CAPITAL

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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.

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

- Date: 2 November 2018
- Parties: the Company; and  
China Huadian
- Existing Term: One (1) year commencing from 1 January 2019 and expiring on 31 December 2019
- Transactions: ***Products and services provided by China Huadian to the Group***
- (1) supply of fuel by China Huadian to the Group;
  - (2) provision of engineering equipments (including but not limited to transducers, recycled water and desulphurisation systems), systems, products, engineering and construction contracting projects and environmental protection system renovation projects by China Huadian to the Group;

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## LETTER FROM GRAM CAPITAL

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- (3) provision of supplies procurement services and miscellaneous and relevant services by China Huadian to the Group, 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;
  - (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

### ***Products and services provided by the Group to China Huadian***

- (1) supply of fuel by the Group to China Huadian;
- (2) provision of services such as overhauls and maintenance of generating units of power plants and alternative power generation and relevant quota services by the Group to China Huadian.



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## LETTER FROM GRAM CAPITAL

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### *Price determination principles*

Pursuant to the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the consideration of the transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement will be 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. The Company has adopted appropriate internal procedures to ensure that (i) for transactions involving the provision of the products and services by China Huadian to the Group, the terms of such transactions will be fair and reasonable and no less favourable to the Group than those provided by independent third parties; and (ii) for transactions involving the provision of the products and services by the Group to China Huadian, the terms of such transactions will be fair and reasonable and no more favourable to China Huadian than those provided to 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.

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## LETTER FROM GRAM CAPITAL

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### Fuel Purchase Transactions and Fuel Sale Transactions

As set out in the Board Letter, in practice, the then market price of the sale and purchase 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
- (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>).

For our due diligence purpose, we obtained six sets of agreements/invoices (the “**Coal Agreements/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 Agreements/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 Agreements/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.

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## LETTER FROM GRAM CAPITAL

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With reference to the Board Letter, in terms of purchasing natural gas, 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 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) price 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; 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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## LETTER FROM GRAM CAPITAL

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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 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**").

### 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 Agreements/Invoices, we do not doubt the effectiveness of the implementation of the internal procedure for the purchase of coal.

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## LETTER FROM GRAM CAPITAL

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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 largest 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 Agreements/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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## LETTER FROM GRAM CAPITAL

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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 also the existing coal, equipments and services purchase (supply) framework agreement dated 9 November 2017 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, the principal terms of transactions under the Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement are similar to 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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## LETTER FROM GRAM CAPITAL

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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 Transaction for the two years ended 31 December 2017 and for the nine months ended 30 September 2018; and (ii) the proposed annual caps of Fuel Purchase Transactions for the year ending 31 December 2019:

	<b>For the year ended 31 December 2016 <i>RMB million</i></b>	<b>For the year ended 31 December 2017 <i>RMB million</i></b>	<b>For the year ending 31 December 2018 <i>RMB million</i></b>
Fuel Purchase Transaction	2,790	3,889	2,660 <i>(Note)</i>
Historical transaction amounts			
Existing annual caps	6,000	6,000	7,000
Utilisation rate	46.5%	64.8%	N/A
			<b>For the year ending 31 December 2019 <i>RMB million</i></b>
Proposed annual cap (the “Purchase Cap”)			7,000

*Note:* the figure was for the nine months ended 30 September 2018

With reference to the Board Letter, when determining the Purchase Caps for the year ending 31 December 2019, the Directors took into account of certain factors. Details of the factors are set out under the section headed “3. Proposed Annual Caps” of the Board Letter.

We noted that the relevant utilisation rate of the previous annual caps were (i) approximately 46.5% and 64.8% respectively for the year ended 31 December 2016 and 31 December 2017 respectively; and (ii) for illustration purpose only, approximately 50.7% for the year ending 31 December 2018, based on annualized historical amount for the nine months ended 30 September 2018 (i.e. RMB2,660 million/(9/12) = approximately RMB3,547 million).

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## LETTER FROM GRAM CAPITAL

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Despite that the utilization rates of the previous annual caps for the two years ended 31 December 2017 were not at a high level, the Company set the Purchase Cap for the year ending 31 December 2019 equal to the Purchase Cap for the year ending 31 December 2018. In this regard, we further enquired into the Directors and understood that the estimation was determined based on (i) coal demand is RMB6,000 million for the year ending 31 December 2019 (the “**Coal Demand**”), which is the same as existing annual caps for each of the three years ended 31 December 2017 and the estimated demand on coal for the year ending 31 December 2018; and (ii) other fuel demand is RMB1,000 million for the year ending 31 December 2019 (the “**Other Fuel Demand**”).

### Coal Demand

According to the above table, the historical transaction amounts under the Purchase Transactions for FY2017 and nine months ended 30 September 2018 were approximately RMB3,889 million and RMB2,660 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 2019.

Based on information as provided by the Directors, the estimated coal purchase volume (in tonne) under the Fuel Purchase Transactions was approximately 12.5% of total estimated annual coal purchase volume (in tonne) for the year ending 31 December 2019. For our due diligence purpose, we enquired into the Directors the total historical coal purchase volume (in tonne) for FY2017 and FY2016. We noted that the estimated total coal purchase volume (in tonne) for the year ending 31 December 2019 was not substantially deviated from the total historical coal purchase volume (in tonne) for FY2017 and FY2016. In addition, the historical coal purchase volume (in tonne) from Huadian Group represented approximately 9.2% and 11.5% to the total historical coal purchase volume (in tonne) for FY2017 and FY2016 respectively. As such, we consider that the estimated coal purchase volume (in tonne) under the Fuel Purchase Transactions for the year ending 31 December 2019 to be fair and reasonable.



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## LETTER FROM GRAM CAPITAL

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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. RMB571 per tonne as at 8 November 2018).

In light of the above factors, we consider that Coal Demand for the year ending 31 December 2019 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 2019.

We enquired into the Directors the estimation demand on other fuel and noted that such estimation was determined based on (i) a gas-fired generating unit which was expected to commence operation by the end of 2018 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 estimated demand on natural gas (in cubic metres) by 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 Plant and Tianjin Huadian Fuyuan Thermal Power Company Limited, we consider that Other Fuel Demand for the year ending 31 December 2019 to be fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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In light of that (i) Coal Demand for the year ending 31 December 2019 to be fair and reasonable; and (ii) Other Fuel Demand for the year ending 31 December 2019 to be fair and reasonable, we consider that the Purchase Cap for the year ending 31 December 2019 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 2017 and for the nine months ended 30 September 2018; and (ii) the proposed annual caps of Service Transactions for the year ending 31 December 2019:

	<b>For the year ended 31 December 2016 <i>RMB million</i></b>	<b>For the year ended 31 December 2017 <i>RMB million</i></b>	<b>For the year ending 31 December 2018 <i>RMB million</i></b>
<b>Services Transactions</b>			
Historical transaction amounts	3,401	4,810	3,033 <i>(Note)</i>
Existing annual caps	4,500	5,000	7,000
Utilisation rate	75.6%	96.2%	N/A
			<b>For the year ending 31 December 2019 <i>RMB million</i></b>
Proposed annual cap (the “ <b>Service Cap</b> ”)			8,000

*Note:* the figure was for nine months ended 30 September 2018

As advised by the Directors, when estimating the annual cap for the provision of engineering equipments, systems, products and engineering and construction contracting projects, supplies procurement services and other Miscellaneous and Relevant Services by China Huadian to the Group, the Directors took into account of certain factors. Details of the factors are set out under the section headed “3. Proposed Annual Caps” of the Board Letter.

We note that the relevant utilisation rate of the previous annual caps are approximately 75.6% and 96.2% respectively for the year ended 31 December 2016 and 31 December 2017 respectively.

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## LETTER FROM GRAM CAPITAL

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With reference to the 2018 Interim Report, as at 30 June 2018, the Group's major generating units which have been under construction regarding among other things, (i) coal-fired generating units amounted to approximately 4,360MW; (ii) gas-fired generating units amounted to approximately 2,499MW; (iii) wind power generating units amounted to approximately 587MW; (iv) hydropower generating units amounted to 492 MW and (v) solar energy generating units amounted to 119 MW. The Directors further advised us the average cost unit per KW for construction of (i) coal-fired generating units; (ii) gas-fired generating units; (iii) wind power generating units; (iv) hydropower generating units and solar energy 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 2019 is less than implied total cost of aforesaid approved, filed 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 2017 and noted that the Service Cap for the year ending 31 December 2019 is less than aforesaid historical construction cost for the year ended 31 December 2017.

Despite that the transaction amounts for the nine months ended 30 September 2018 represented approximately 43% of existing annual caps for the year ending 31 December 2018, the Company increased the Service Cap for the year ending 31 December 2019 as compared to the existing annual cap for the year ending 31 December 2018. We enquired the Directors in this regard and understood that majority of historical transaction amounts of the Service Transactions were recorded in fourth quarters.

## LETTER FROM GRAM CAPITAL

Set out below are the historical amounts of the actual transactions for nine months ended 30 September 2015, 2016 and 2017; and three years ended 31 December 2017 of the Services Transactions as provided by the Company:

	For the nine months ended 30 September 2015 <i>RMB million</i>	For the year ended 31 December 2015 <i>RMB million</i>	For the nine months ended 30 September 2016 <i>RMB million</i>	For the year ended 31 December 2016 <i>RMB million</i>	For the nine months ended 31 December 2017 <i>RMB million</i>	For the year ended 30 September 2017 <i>RMB million</i>
Service Transactions						
Historical transaction amounts	819	2,194	957	3,401	2,314	4,810

According to the table above, during 2015, 2016 and 2017, the majority of historical transaction amounts of the Service Transactions were recorded in fourth quarters, which represented approximately 63%, 72% and 52% to the full year historical transaction amounts for 2015, 2016 and 2017 respectively.

In light of the above factors and that there would also be possible demand on overhauls and maintenance services, technology renovation, technological services, etc., we consider that the Service Cap for the year ending 31 December 2019 to be fair and reasonable.

### C. *Sale Cap*

Set out below are (i) the historical transactions amounts of Fuel Sale Transaction for the two years ended 31 December 2017 and for the nine months ended 30 September 2018; and (ii) the proposed annual caps of Fuel Purchase Transactions for the year ending 31 December 2019:

	For the year ended 31 December 2016 <i>RMB million</i>	For the year ended 31 December 2017 <i>RMB million</i>	For the year ending 31 December 2018 <i>RMB million</i>
Fuel Sale Transaction			
Historical transaction amounts	619	10,729	8,417 <i>(Note)</i>
Existing annual caps	2,000	12,000	13,000
Utilisation rate	31.0%	89.4%	N/A

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## LETTER FROM GRAM CAPITAL

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For the year ending

31 December 2019

*RMB million*

Proposed annual cap (the “Sale Cap”)	13,000
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*Note:* The figure was for the nine months ended 30 September 2018.

As advised by the Directors, when estimating the annual cap for the 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 by the Group to China Huadian, the Directors took into account of certain factors. Details of the factors are set out under the section headed “3. Proposed Annual Caps” of the Board Letter.

Furthermore, we note that the relevant utilisation rate of the previous annual caps were (i) approximately 31.0% and 89.4% respectively for the year ended 31 December 2016 and 31 December 2017 respectively; and (ii) for illustration purpose only, approximately 86.3% for the year ending 31 December 2018, based on annualized historical amount for the nine months ended 30 September 2018 (i.e. RMB8,417 million/(9/12) = approximately RMB11,223 million).

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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## LETTER FROM GRAM CAPITAL

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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 possible sale of coal to Huadian Group for the year ending 31 December 2019 and noted that such estimation was determined based on (i) estimated quantity of coals to be sold to China Huadian Group; and (ii) estimated average price of coal. We further enquired into the Directors regarding the historical quantity of coals sold to Huadian Group for the year ended 31 December 2017 and noted that the estimated quantity of coals to be sold to China Huadian Group for the year ending 31 December 2019 was not deviated from the historical quantity of coals sold to Huadian Group for the year ended 31 December 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 2019 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 2019 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 2019 to be fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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#### **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) 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 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 Fuel and Services Transactions 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 CBIRC 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 CBIRC.

As further advised by the Directors, Huadian Finance is required to operate in compliance Measures for Administration of the Finance Companies of Enterprise Groups (the "Measures") promulgated by China Banking Regulatory Commission 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, etc. For our due diligence purpose, we reviewed key financial ratio requirements of the Measures and obtained the respective financial ratios of Huadian Finance for the nine months ended 30 September 2018, the year ended 31 December 2017 and 31 December 2016. We noted that Huadian Finance complied with the relevant financial ratio requirements as set out in the Measures during 2016, 2017 and first nine months of 2018.

*Reasons for the Deposit Services*

As advised by the Directors, according to the latest business development plans of the Company, the Company considers that the deposit caps under Existing Financial Services Agreement are unable to satisfy the Company's requirements for 2019 and 2020. The Board therefore propose to the existing annual caps in respect of the 2019 and 2020 to meet the Company's demands on deposit services from Huadian Finance for 2019 and 2020.



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## LETTER FROM GRAM CAPITAL

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As confirmed by the Directors, the transactions contemplated under the Existing Financial Services Agreement are in the interest of the Company and Shareholders as a whole.

In light of that (i) reasons for and benefit of the Deposit CCT, details of which are set out under the letter from Gram Capital dated 5 December 2017; and (ii) the background information of Huadian Finance as mentioned above; (iii) the Company considers that the existing annual caps in respect of the 2019 and 2020 to meet the Company's demands on deposit services from Huadian Finance for 2019 and 2020, we consider the entering into of Proposed Deposit Services Framework Agreement is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

### **2. *Principal terms of the Deposit Services***

Date: 2 November 2018

Parties: the Company; and;

Huadian Finance

Existing Term: Three (3) years commencing from 1 January 2019 and expiring on 31 December 2021

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 principals of the Deposit Services:*

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 provided by Huadian Finance to other member companies of China Huadian;

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## LETTER FROM GRAM CAPITAL

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For our due diligence purpose, we obtained deposit records of the Group showing the interest rates on deposits received from (a) Major Commercial Banks in the PRC; 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 rate 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**”).

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 the policies formulated by PBOC to ensure that each transaction is conducted in accordance with the aforesaid pricing policies of the Deposit Services.

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.

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## LETTER FROM GRAM CAPITAL

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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 Deposit Services according to the above pricing policies.

### *Others*

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.

If Huadian Finance is unable to repay the Group's deposits, the Company has the right to terminate the Proposed Financial Services Framework Agreement and to set off the deposit amounts due to the Group from Huadian Finance against the loan amounts outstanding from the Group to Huadian Finance. In the event that the Group suffers financial loss by reason of the default of Huadian Finance, Huadian Finance shall compensate the Group for the full amount of the loss suffered by the Group and the Group is entitled to terminate the Proposed Financial Services Framework Agreement.

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 revised 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 2017 and for the nine months ended 30 September 2018; and (ii) the proposed annual caps of Deposit Services for the three year ending 31 December 2021 (the "Deposit Cap(s)"):

	<b>For the year ending 31 December 2018 <i>RMB million</i></b>	<b>For the year ending 31 December 2019 <i>RMB million</i></b>	<b>For the year ending 31 December 2020 <i>RMB million</i></b>
<b>Historical transaction amounts</b>			
Maximum average daily deposit balance (inclusive of accrued interests)	6,799 <i>(Note)</i>	N/A	N/A
Existing annual caps	6,800	6,800	6,800
Utilisation rate (%)	99.99%	N/A	N/A

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## LETTER FROM GRAM CAPITAL

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	<b>For the year ending 31 December 2019 <i>RMB million</i></b>	<b>For the year ending 31 December 2020 <i>RMB million</i></b>	<b>For the year ending 31 December 2021 <i>RMB million</i></b>
Maximum average daily deposit balance (inclusive of accrued interests)	9,000	9,000	9,000

*Note:* The figure was for the nine months ended 30 September 2018.

With reference to the Board Letter, the Deposit Caps have been determined after taking into account of certain factors. Details of the factors are set out under the section headed “4. Proposed Annual Caps” of the Board Letter.

We noted that the revised Deposit Caps for the year ending 31 December 2019 and 2020 represented an increase of 32% as compared to the existing Deposit Caps for the same period. To assess the fairness and reasonableness of the revised 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, the maximum average daily deposit balance (inclusive of accrued interests) placed by the Group with Huadian Finance was approximately RMB6,799 million (based on the figures for the nine months ended 30 September 2018), representing utilisation rate of existing Deposit Cap of approximately 99.99%, for the year ending 31 December 2018.

As mentioned above, the revised Deposit Cap for the year ending 31 December 2019 represents an increase of 32% or RMB2,200 million (the “**Increase**”) as compared to the existing Deposit Cap for the year ending 31 December 2019. As advised by the Directors, when determining the revised Deposit Cap, the Directors also took into account of the Group’s monetary fund and receivables. We noted that under the China Accounting Standards for Business Enterprise, the existing Deposit Cap represented approximately 44% (the “**Previous Ratio**”) to the sum (the “**Sum**”) of Group’s (i) cash and cash equivalent (approximately RMB6.84 billion); and (ii) trade debtors and bills receivable (approximately RMB8.56 billion) as at 30 September 2017, being the latest available public information immediately prior to the Existing Financial Services Agreement. The revised Deposit Cap represented approximately 52% to the Group’s the sum of Group’s (i) cash and cash equivalent (approximately RMB7.26 billion); and (ii) trade debtors and bills receivable (approximately RMB10.12 billion) as at 30 September 2018, which is not deviated from the Previous Ratio.

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## LETTER FROM GRAM CAPITAL

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To further assess the fairness and reasonableness of revised Deposit Caps, we summarised the relevant financial information (under the China Accounting Standards for Business Enterprise) (i) for the year ended 31 December 2017, being the latest available public full-year financial information immediately prior to the Latest Practicable Date; (ii) for the year ended 31 December 2016, being the latest available public full-year financial information immediately prior to the date of Existing Financial Services Agreement; and (iii) for the nine months ended 30 September 2017, being the latest available public financial information immediately prior to the date of Existing Financial Services Agreement, as follows:

	<b>For the year ended 31 December 2017 <i>RMB'000</i></b>	<b>For the year ended 31 December 2016 <i>RMB'000</i></b>	<b>Increase rate</b>	<b>Increase amount <i>RMB'000</i></b>
Revenue	79,006,836	63,346,051	24.7%	15,660,785
	<b>As at 30 September 2018 <i>RMB'000</i></b>	<b>As at 30 September 2017 <i>RMB'000</i></b>	<b>Increase rate</b>	<b>Increase amount <i>RMB'000</i></b>
Cash and cash equivalents	7,263,873	6,835,377	6.3%	428,496
Trade debtors and bills receivable	10,124,136	8,559,121	18.3%	1,565,015
The Sum	17,388,009	15,394,498	12.9%	1,993,511

Based on the above table, we noted that there was a substantial increase in revenue for 2017 (being the latest available public full-year financial information immediately prior to the Latest Practicable Date) as compared to that for 2016 (being the latest available public full-year financial information immediately prior to the date of Existing Financial Services Agreement). The Group's cash and cash equivalents; and trade debtors and bills receivable as at 30 September 2018 also increased as compared to those as at 30 September 2017 (being the latest available public financial information immediately prior to the date of Existing Financial Services Agreement). As such, we consider that the Increase to be acceptable.

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## LETTER FROM GRAM CAPITAL

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In light of (i) the maximum utilisation rate of the existing Deposit Cap for the year ending 31 December 2018 (based on the maximum average daily deposit balance (inclusive of accrued interests) for the nine months ended 30 September 2018); (ii) when determining the revised Deposit Caps, the Directors also took into account of the Group's cash and cash equivalents; and trade debtors and bills receivable; (iii) the different financial performance/position which the Directors considered when determining the revised Deposit Caps and existing Deposit Caps for the two years ending 31 December 2020; and (iv) the Increase being acceptable, we consider that the revised Deposit Caps for the two years ending 31 December 2020 are fair and reasonable.

As advised by the Directors, it is difficult to forecast the Group's total cash level for the year ending 31 December 2021. 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 Cap for the year ending 31 December 2021. Accordingly, we consider that the Deposit Cap for the year ending 31 December 2021, which being the same as the Revised Annual Cap for each of the two years ending 31 December 2020, is 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 values of the Deposit Services must be restricted by the Deposit Caps for the period concerned under the Proposed Deposit Services; (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.

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## LETTER FROM GRAM CAPITAL

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### **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*

**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 ( <i>Note</i> )	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; and (ii) the provision of deposit services by Huadian Finance to the Group under the Proposed Financial Services Framework Agreement and the proposed maximum average daily balance of such deposit. 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 the Gram Capital:

<b>Name</b>	<b>Qualifications</b>
Gram Capital	Type 6 (advising on corporate finance) regulated activity as defined under the SFO

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 2017, 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 2017, 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.

<b>Name of Directors</b>	<b>Position in the Company</b>	<b>Other Position(s) in China Huadian</b>
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 2017 (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 shall prevail over its Chinese text in the case of inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of each of the (i) Existing Fuel, Equipments and Services Purchase (Supply) Framework Agreement; (ii) Existing Financial Services Agreement; (iii) Proposed Fuel, Equipments and Services Purchase (Supply) Framework Agreement; (iv) Proposed Financial Services Framework Agreement; (v) the letter from the Board, the text of which is set out on pages 1 to 18 of this circular; (vi) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular; and (vii) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 50 of this circular will be available for inspection at the offices of Alpha Financial Press Limited, 9/F, The Center, No.99 Queen's Road Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 12 December 2018.

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## NOTICE OF EGM

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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)

## 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 Thursday, 27 December 2018 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 2 November 2018 (the "Announcement"). A circular containing, among other things, details of 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 11 December 2018.

### ORDINARY RESOLUTIONS

1. 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 2019 to 31 December 2019 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:
  - 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 2019;

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## NOTICE OF EGM

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- 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 RMB8 billion for the financial year ending 31 December 2019; 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 2019.
2. To consider and approve, by way of ordinary resolution, the continuing connected transactions under the Proposed Financial Services Framework Agreement between the Company and Huadian Finance in relation to the provision of deposit services by Huadian Finance to the Group 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 RMB9 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 2021; 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.

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), Ni Shoumin (Vice Chairman, Non-executive Director), Tian Hongbao (Executive Director), Gou Wei (Non-executive Director), Chu Yu (Non-executive Director), Wang Xiaobo (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

12 November 2018

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## NOTICE OF EGM

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*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 Monday, 26 November 2018 (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 Tuesday, 27 November 2018 to Thursday, 27 December 2018, 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 Monday, 26 November 2018.

### 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 Thursday, 6 December 2018. 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 Thursday, 6 December 2018.
- (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).

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## NOTICE OF EGM

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### 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

\* *For identification purposes only*