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華能國際電力股份有限公司

HUANENG POWER INTERNATIONAL, INC.

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

(Stock Code: 902)

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

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



Gram Capital Limited

嘉林資本有限公司

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

As at the date of this announcement, Shandong Company is held as to 20% by Huaneng Group, which is a controlling Shareholder. Hence, Shandong Company is an associate of Huaneng Group and a connected person of the Company pursuant to the Hong Kong Listing Rules. Therefore, the transactions contemplated under the Letter of Support constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Hong Kong Listing Rules in respect to the highest proposed annual cap exceeds 5%, the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

I. THE LETTER OF SUPPORT

Background

ABS transaction structure

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

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

- (1) **Establishment of the Partnership:** the Partnership shall be established in the PRC pursuant to the Partnership Agreement by: (i) Silk Road International (a wholly-owned subsidiary of Shandong Company and a subsidiary of the Company as at the date of this announcement) as the general partner, holding approximately 16% interest; (ii) Huadian Jintai (an Independent Third Party) as the Category A LP, holding approximately 80% interest; and (iii) Shandong Company as the Category B LP, holding approximately 4% interest. The registered capital of the Partnership shall be RMB9,619 million and as such, the respective approximate amounts of capital contribution by the partners shall be RMB1,540 million (Silk Road International), RMB7,694 million (Category A LP) and RMB385 million (Category B LP)^(Note 1);
- (2) **ABS issuance and the ABS acquiring interest in the Partnership:** the ABS shall be issued on the Shanghai Stock Exchange for subscription by eligible investors and managed by the Manager, with an expected issuance size of approximately RMB7,694 million. Upon the ABS issuance, Huadian Jintai shall transfer the entirety of its interest (approximately 80%) in the Partnership to the ABS, and the entirety of the proceeds of the ABS issuance shall be used as capital contribution to the Partnership. Silk Road International (as general partner) and Shandong Company (as the Category B LP) shall also make capital contributions to the Partnership;
- (3) **Partnership acquiring interest in Laiwu Project Company:** after all partners have duly made capital contributions to the Partnership, the Partnership shall acquire from Shandong Company the 92.9% equity interest in Laiwu Project Company held by it., at a consideration of approximately RMB3,998 million (based on the preliminary valuation of

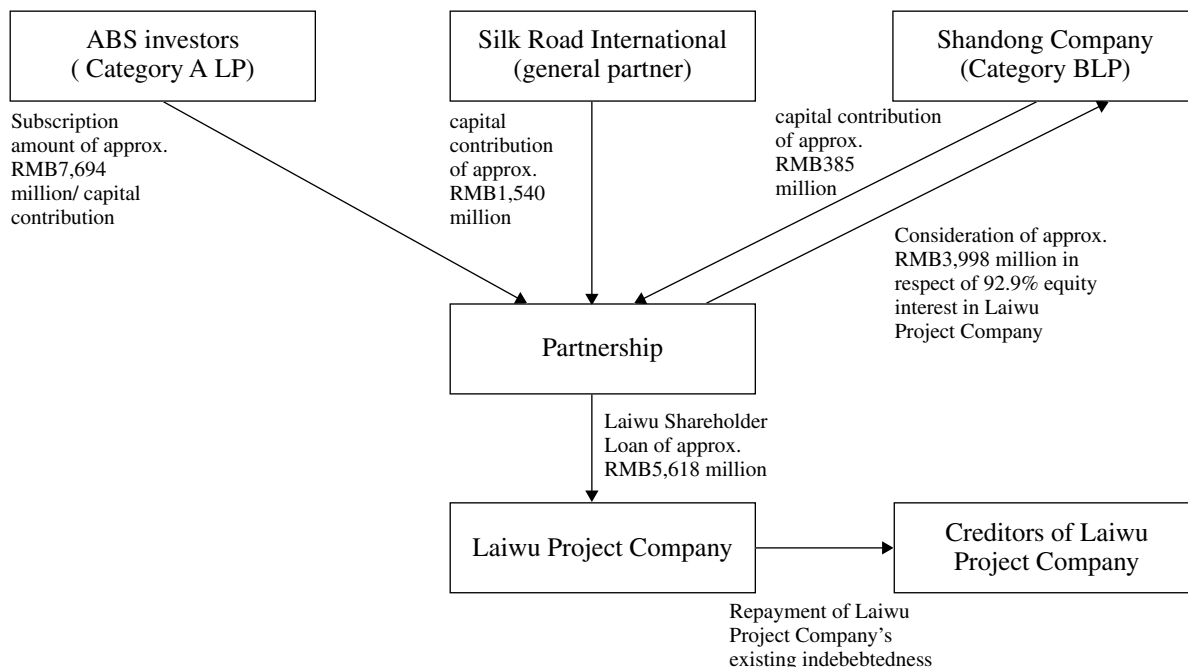
Laiwu Project Company as at 30 June 2023 of approximately RMB4,303.7 million). Upon completion of the transfer, Laiwu Project Company shall be owned as to 92.9% by the Partnership and 7.1% by Qilu Caijin, respectively; and

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

Note:

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

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



As at 30 June 2023, the preliminary valuation of the entire equity interest in Laiwu Project Company was approximately RMB4,303.7 million and the book value of the Laiwu Project was approximately RMB7,053.4 million. For the years ended 31 December 2021 and 2022, Laiwu Project Company recorded net loss (before taxation, audited) of RMB839.8 million and RMB269.7 million, respectively, and net loss (after taxation, audited) of RMB645.3 million and RMB212.0 million, respectively.

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

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

Distributions under the Partnership

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

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

- (1) **Revenue Distribution (經營收益分配)**: refers to the distribution of revenue, net profit and tax refund payments (if any) of the Partnership;

- (2) **Disposal Distribution (處置分配):** refers to the distribution of distributable assets which primarily include repayments from the Laiwu Shareholder Loan, income from disposal of Laiwu Project, income from disposal of other assets, and unused funds; and
- (3) **Liquidation Distribution (清算分配):** refers to distribution of any remaining distributable assets after the Disposal Distribution.

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

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

Security (including the Letter of Support)

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

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

Operation Support

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

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

Cash Interchange Obligation

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

The principal purpose of the Cash Interchange Obligation is to ensure that, given that the rules on Distribution prescribe that non-cash assets of the Partnership (principally, the 92.9% equity interest in Laiwu Project Company) will be distributed to Shandong Company when Distribution of such non-cash assets occurs, if the value of the non-cash assets is greater

than Shandong Company's capital contribution to the Partnership (RMB385 million), Shandong Company is required to pay to the Partnership for the surplus in amount as an interchange for the non-cash assets.

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

The continuing connected transactions contemplated under the Letter of Support

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

Details of the Letter of Support are set out below:

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

Proposed term

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

Proposed annual cap

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

Basis of the proposed annual cap

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

Estimated amount of the Performance Support

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

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

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

right to seek reimbursement from Shandong Company for the amount that the Company provided as Liquidity Support. As such, the Board is of the view that the estimation is fair and reasonable.

Estimated amount of the Cash Interchange Obligation

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

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

II. REASONS FOR AND BENEFIT OF THE TRANSACTIONS

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

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

In respect of the ABS, a domestic rating agency in the PRC was engaged to conduct credit rating on the ABS in accordance with the full life cycle of the ABS, which is designated to be 23 years. During the credit rating process, the credit of the Company was taken into consideration. If the Liquidity Support provided by the Company was unable to cover the full life cycle of the ABS, that is, 23 years, the credit rating of the ABS products would have been adversely affected and the ABS would not be able to be rated in the highest possible grading of AAA. As the credit rating is the fundamental basis and main consideration for eligible investors

to subscribe for the ABS, the failure to obtain the AAA rating would materially impede the issuance of the ABS or substantially increase the cost of issuance of the ABS. In this connection, the term and annual cap of the continuing connected transactions contemplated under the Letter of Support are essential to the proposed ABS issuance.

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

Based on the above, the Directors (excluding all the independent non-executive Directors whose views will be given after taking into account the advice from Gram Capital) are of the view that the Letter of Support and the transactions contemplated thereunder (including the proposed annual cap and the basis thereof) are fair and reasonable, entered into on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

III. INFORMATION ON THE PARTIES

The Company, the Group and Huaneng Group

The Company and its subsidiaries mainly develop, construct, operate and manage power plants in China nationwide. It is one of the largest listed power producers in China, with a controlled generation capacity of 129,995MW.

As at the date of this announcement, Huaneng Group holds a 75% direct interest and a 25% indirect interest in HIPDC, while HIPDC, being the direct controlling Shareholder of the Company, holds a 32.28% interest in the Company. Huaneng Group is a stated-owned central enterprise with power generation as its main business, which is under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council. As at the date of this announcement, Huaneng Group also holds a 9.91% direct interest in the Company and a 3.01% indirect interest in the Company through its wholly-owned subsidiary Huaneng HK, a 0.84% indirect interest in the Company through Huaneng Treasury, its indirect wholly-owned subsidiary, and a 0.06% indirect interest in the Company through its controlling

subsidiary Huaneng Finance. Huaneng Group is the ultimate controlling Shareholder of the Company. Huaneng Group is principally engaged in the operation and management of enterprise investments; development, investment, construction, operation and management of power plants; organising the generation and sale of power (and heat); and the development, investment, construction, production and sale of products in relation to energy, transportation, new energy and environmental protection industries.

Shandong Company

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

IV. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Company is held as to 20% by Huaneng Group, which is a controlling Shareholder. Hence, Shandong Company is an associate of Huaneng Group and a connected person of the Company pursuant to the Hong Kong Listing Rules. Therefore, the transactions contemplated under the Letter of Support constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Hong Kong Listing Rules in respect to the highest proposed annual cap exceeds 5%, the Letter of Support and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

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

- (1) Gram Capital discussed with the Directors and noted that the purpose of the transactions contemplated under the Letter of Support are to ensure and enhance the performance of Shandong Company's obligations under the Operation Support Agreement and the Partnership Agreement, which will be conducive for the Company to obtain the recognition of investors as well as to reduce the cost of issuance;

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

V. BOARD'S CONFIRMATION

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

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

VI. EXTRAORDINARY GENERAL MEETING

Under the Hong Kong Listing Rules, the transactions under the Letter of Support shall require Independent Shareholders' approval. Huaneng Group and its associates (holding an aggregate of 7,235,376,866 ordinary shares in the Company, representing approximately 46.09% of the total issued shares of the Company as at the date of this announcement) will abstain from voting on the resolutions regarding the continuing connected transactions contemplated under the Letter of Support. Save as disclosed, no Shareholder is required to abstain from voting in connection with the matters to be resolved at the EGM.

To comply with the requirements of the Hong Kong Listing Rules, the Independent Board Committee of the Company will advise the Independent Shareholders in connection with (among others) the transaction. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding (among others) the transaction.

The Company shall despatch a circular containing, among others, further details of the transactions under the Letter of Support, a letter from the Independent Board Committee and an opinion of Gram Capital to the Shareholders within 15 business days after publication of this announcement.

DEFINITIONS

“ABS”	the asset-backed securities to be issued on the Shanghai Stock Exchange, which will be initiated and established by the Manager, backed by the Underlying Assets and to be subscribed by eligible investors
“A Shares”	domestic tradable shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	the board of Directors
“Capital Support”	upon the occurrence of the Capital Support Event, the obligation of Shandong Company to provide funding to Laiwu Project Company under the Operation Support Agreement
“Capital Support Event”	the event where Laiwu Project Company requires external funding to support its business operations or financial needs

“Cash Interchange Obligation”	upon the occurrence of the Cash Interchange Obligation Event, the obligation of Shandong Company, under the Partnership Agreement, to pay the Partnership in an amount equal to the surplus of the appraised value of non-cash assets of the Partnership over the capital contribution by Shandong Company
“Cash Interchange Obligation Event”	as further described in “ <i>I. Letter of Support – Background – Cash Interchange Obligation</i> ” in this announcement
“Category A LP”	the category A limited partner of the Partnership
“Category B LP”	the category B limited partner of the Partnership, being Shandong Company
“Company”	Huaneng Power International, Inc., a sino-foreign joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Director(s)”	the director(s) (including independent non-executive director(s)) of the Company
“Disposal Distribution”	as further described in “ <i>I. Letter of Support – Background – Distributions under the Partnership</i> ” in this announcement
“Distribution(s)”	as further described in “ <i>I. Letter of Support – Background – Distributions under the Partnership</i> ” in this announcement
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held for Independent Shareholders to consider and approve (among other things) the proposal regarding the continuing connected transactions contemplated under the Letter of Support
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares

“HIPDC”	Huaneng International Power Development Corporation
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huadian Jintai”	Huadian Jintai (Beijing) Investment Fund Management Co., Ltd* (華電金泰(北京)投資基金管理有限公司), an Independent Third Party
“Huaneng Finance”	China Huaneng Finance Corporation Limited
“Huaneng Group”	China Huaneng Group Co., Ltd. (中國華能集團有限公司), a controlling shareholder of the Company
“Huaneng HK”	China Hua Neng Group Hong Kong Limited
“Huaneng Treasury”	China Huaneng Group Treasury Management (Hong Kong) Limited
“Independent Board Committee”	a committee of the Board established for the purpose of considering the Letter of Support and the transactions contemplated thereunder, comprising Mr. Xu Mengzhou, Mr. Liu Jizhen, Mr. Xu Haifeng, Mr. Zhang Xianzhi and Mr. Xia Qing, all being the independent non-executive Directors
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to (i) the Company pursuant to the Rule 14A.52 of the Hong Kong Listing Rules; and (ii) the Independent Board Committee and the Independent Shareholders in respect of the Letter of Support and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Huaneng Group and their respective associates, and who are not involved in, or interested in the transactions contemplated under the Letter of Support
“Independent Third Party”	an individual or company who or which is to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company (as defined under the Listing Rules)

“Laiwu Project”	an electricity power plant located in Laiwu, Shandong Province, the PRC, being the underlying infrastructure assets of the ABS
“Laiwu Project Company”	Huaneng Laiwu Power Generation Co., Ltd* (華能萊蕪發電有限公司), a subsidiary of the Company as at the date of this announcement
“Laiwu Shareholder Loan”	the shareholder loan that shall be extended from the Partnership to Laiwu Project Company under the ABS scheme
“Letter of Support”	the letter of support executed by the Company Support in favour of Shandong Company, pursuant to which the Company shall provide Liquidity Support to Shandong Company
“Liquidity Support”	the liquidity support to be provided by the Company to Shandong Company under the Letter of Support
“Liquidation Distribution”	as further described in “ <i>I. Letter of Support – Background – Distributions under the Partnership</i> ” in this announcement
“Manager”	China Securities Co., Ltd (中信建投證券股份有限公司), being the manager of the ABS
“Operation Support Agreement”	the operation support agreement to be entered into among Shandong Company, the Partnership, Laiwu Project Company and the Manager, pursuant to which Shandong Company shall provide Operation Support to Laiwu Project Company
“Operation Support”	Capital Support and Performance Support
“Partnership”	a partnership enterprise to be established in the PRC by: (i) Silk Road International as the general partner, holding approximately 16% interest; (ii) Shandong Company as the Category B LP, holding approximately 4% interest; and (iii) Huadian Jintai (as the Category A LP, holding approximately 80% interest
“Partnership Agreement”	the partnership agreement to be entered into among Silk Road International, Shandong Company and Huadian Jintai, in respect of the establishment of the Partnership
“Performance Support”	upon the occurrence of the Performance Support Event, the obligation of Shandong Company to provide funding to Laiwu Project Company under the Operation Support Agreement

“Performance Support Event”	the event where: (i) the partners of the Partnership resolve to conduct a distribution; and (ii) where, upon audit being conducted against the escrow bank account of Laiwu Project Company, the balance in the escrow bank account is found to be insufficient to enable Laiwu Project Company to comply with all of its external payment obligations
“PRC” or “China”	the People’s Republic of China
“Qilu Caijin”	Qilu Caijin (Shandong) Economic Development Co., Ltd* (齊魯財金(山東)經濟發展有限公司), an Independent Third Party
“Revenue Distribution”	as further described in “I. Letter of Support – Background – Distributions under the Partnership” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Company”	Huaneng Shandong Power Generation Co., Ltd.* (華能山東發電有限公司), a subsidiary of the Company which is held as to 80% by the Company and 20% by Huaneng Group as at the date of this announcement, and the Category B LP of the Partnership
“Shareholder(s)”	A Shareholder(s) and H Shareholder(s)
“Silk Road International”	Shandong Silk Road International Electricity Co., Ltd* (山東絲路國際電力有限公司) a wholly-owned subsidiary of Shandong Company and a subsidiary of the Company as at the date of this announcement
“subsidiary(ies)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Underlying Assets”	includes, principally, the 92.9% equity interest in Laiwu Project Company, the rights under the Laiwu Shareholder Loan, and the power plant owned and operated by Laiwu Project Company
“%”	per cent

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

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

Wang Kui (*Executive Director*)

Huang Jian (*Non-executive Director*)

Lu Fei (*Non-executive Director*)

Teng Yu (*Non-executive Director*)

Mi Dabin (*Non-executive Director*)

Cheng Heng (*Non-executive Director*)

Li Haifeng (*Non-executive Director*)

Lin Chong (*Non-executive Director*)

Xu Mengzhou (*Independent non-executive Director*)

Liu Jizhen (*Independent non-executive Director*)

Xu Haifeng (*Independent non-executive Director*)

Zhang Xianzhi (*Independent non-executive Director*)

Xia Qing (*Independent non-executive Director*)

Beijing, the PRC

10 October 2023

* *For identification purposes only*