



華電國際電力股份有限公司
Huadian Power International Corporation Limited*

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

(Stock Code: 1071)

Directors:

Dai Jun (*Chairman, Executive Director*)

Chen Bin (*Executive Director*)

Zhu Peng (*Non-executive Director*)

Zhao Wei (*Non-executive Director*)

Zeng Qinghua (*Non-executive Director*)

Cao Min (*Non-executive Director*)

Wang Xiaobo (*Non-executive Director*)

Li Guoming (*Executive Director*)

Feng Zhenping (*Independent Non-executive Director*)

Li Xingchun (*Independent Non-executive Director*)

Wang Yuesheng (*Independent Non-executive Director*)

Shen Ling (*Independent Non-executive Director*)

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8 November 2024

To the Shareholders,

Dear Sir/Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION
(2) PROPOSED ISSUANCE OF A SHARES
(3) APPLICATION FOR WHITEWASH WAIVER
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

References are made to the announcements of the Company dated 18 July 2024, 25 July 2024 and 1 August 2024, and the Announcement in relation to, among other things, (i) the Transaction, (ii) the Proposed Issuance of A Shares and (iii) the Whitewash Waiver.

The purpose of this circular is to provide the Shareholders with information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM, including:

- (i) details of the Transaction, the Proposed Issuance of A Shares, the Specific Mandates, and the Whitewash Waiver;
- (ii) the letter from the LR IBC to the Independent Shareholders regarding the Transaction (including the grant of Specific Mandate for the issuance of Consideration Shares);
- (iii) the letter from the Code IBC to the Independent Shareholders regarding the Transaction (including the grant of Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver;
- (iv) the letter from Gram Capital to the Independent Board Committees and the Independent Shareholders regarding the Transaction (including the grant of Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver; and
- (v) the notice of the EGM at which relevant resolutions will be proposed to consider and approve, (i) the Transaction; (ii) issuance of Consideration Shares to China Huadian pursuant to Specific Mandate; (iii) the Whitewash Waiver and (iv) the Proposed Issuance of A Shares.

II. MAJOR TRANSACTION AND CONNECTED TRANSACTION

1. Principal terms of the Asset Purchase Agreements (as supplemented by the Supplemental Agreements):

Date: 1 August 2024 (as supplemented by the Supplemental Agreements dated 30 October 2024)

Parties: Asset Purchase Agreement I (as supplemented by Supplemental Agreement I):

(1) Company (as the purchaser); and

(2) China Huadian (as the Seller).

Asset Purchase Agreement II (as supplemented by Supplemental Agreement II):

(1) Company (as the purchaser); and

(2) Huadian Furui (as the Seller).

Asset Purchase Agreement III (as supplemented by Supplemental Agreement III):

(1) Company (as the purchaser); and

(2) Operation Company (as the Seller).

Target Assets: Asset Purchase Agreement I (as supplemented by Supplemental Agreement I):
80% equity interests in Jiangsu Huadian

Asset Purchase Agreement II (as supplemented by Supplemental Agreement II):
51% equity interests in Shanghai Fuxin, 100% equity interests in Shanghai Minhang, 55.0007% equity interests in Guangzhou University City, 55% equity interests in Fuxin Guangzhou, 70% equity interests in Fuxin Jiangmen, 100% equity interests in Fuxin Qingyuan

Asset Purchase Agreement III (as supplemented by Supplemental Agreement III):
100% equity interests in Guigang Electric Power

**Consideration and
Payment Method:**

The Parties have engaged CAA and CEA, both qualified asset appraisal agencies in the PRC, to conduct valuation on the Target Assets. The Asset Appraisal Reports have been approved by and filed with the state-owned assets supervision and administration authority or its authorised agency.

Target Assets I:

According to the Asset Appraisal Reports, as at the Appraisal Benchmark Date, the appraised value of Target Assets I which was primarily determined based on the asset-based approach, is RMB7,268.3 million (representing the appraised value of Jiangsu Huadian attributable to Target Assets I). The appraised value includes the value of perpetual capital securities of RMB3,840.0 million (being the principal amount of such perpetual capital securities) attributable to Target Assets I.

After arm's length negotiation between the Company and China Huadian taking into account the appraised value of Target Assets I, and as adjusted by deducting the value of the perpetual capital securities which would not be acquired by the Company, the parties have agreed that the consideration for the purchase of Target Assets I shall be RMB3,428.3 million.

In particular, the consideration for Target Assets I will be paid by the Company by way of issuance of Consideration Shares.

Target Assets II:

According to the Asset Appraisal Reports, as at the Appraisal Benchmark Date, the appraised value of Target Assets II which were primarily determined based on the asset-based approach, are as follows:

Target Assets II	Appraised value (RMB' million)
51% of equity interests in Shanghai Fuxin	131.6
100% of equity interests in Shanghai Minhang	637.7
55.0007% equity interests in Guangzhou University City	291.9
55% equity interests in Fuxin Guangzhou	556.6
70% equity interests in Fuxin Jiangmen	166.3
100% of equity interests in Fuxin Qingyuan	116.6
Total	1,900.6

After arm's length negotiation between the Company and Huadian Furui taking into account the respective appraised values of Target Assets II, the parties have agreed that the consideration for the purchase of Target Assets II shall be as follows:

Target Assets II	Consideration (RMB' million)
51% of equity interests in Shanghai Fuxin	131.6
100% of equity interests in Shanghai Minhang	637.7
55.0007% equity interests in Guangzhou University City	291.9
55% equity interests in Fuxin Guangzhou	556.6
70% equity interests in Fuxin Jiangmen	166.3
100% of equity interests in Fuxin Qingyuan	116.6
Total	1,900.6

The Company shall pay the consideration for the purchase of Target Assets II in cash. The consideration shall be paid as to approximately (i) 51% within 15 business days after the Effective Date and (ii) 49% upon completion of registration with the administration for industry and commerce.

Target Assets III:

According to the Asset Appraisal Reports, as at the Appraisal Benchmark Date, the appraised value of Target Assets III which was primarily determined based on the asset-based approach, is RMB1,837.7 million.

After arm's length negotiation between the Company and Operation Company taking into account the appraised value of Target Assets III, and as adjusted by an amount of RMB160.0 million paid by Operation Company into the capital reserves of Guigang Electric Power on 30 October 2024, the parties have agreed that the consideration for the purchase of Target Assets III shall be RMB1,997.7 million. As further explained below, the capital injection primarily serves to support Guigang Electric Power's operational needs.

The Company shall pay the consideration for the purchase of Target Assets III in cash. The consideration shall be paid as to (i) 51% within 15 business days after the Effective Date (with RMB200 million of which being paid within 5 business days after the Effective Date) and (ii) 49% upon completion of registration with the administration for industry and commerce.

The consideration for Target Assets II and Target Assets III shall be subject to an increase of not exceeding RMB250.0 million and RMB190.0 million (exclusive of the above-mentioned RMB160.0 million that has been paid into the capital reserves of Guigang Electric Power), respectively, to reflect the amounts that may be paid respectively by Huadian Furui and Operation Company into the registered paid-up capital/capital reserves of Target Companies II and Guigang Electric Power during the Transition Period. Any such capital injection by Huadian Furui will be proportional to its shareholdings in Target Companies II, and Operation Company is the sole shareholder of Guigang Electric Power. The injection of RMB160.0 million into the capital reserves of Guigang Electric Power on 30 October 2024 and the potential injection of capital into Target Companies II and Guigang Electric Power during the Transition Period primarily serve to enhance their liquidity and working capital to support their operational needs, including the construction and maintenance of machineries and equipment.

On the basis that the adjustment represents the amounts that will be paid into the registered share capital/capital reserves of Huadian Qingyuan and Guigang Electric Power, the Board (including the independent non-executive Directors) considers that the above arrangement is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Appraisal of Target Assets:

The appraisal results were arrived at by adopting the asset-based approach. Based on the statements of financial position of the Target Companies as at the Appraisal Benchmark Date (under Generally Accepted Accounting Principles of the PRC), all assets and liabilities of the Target Companies, including but not limited to current assets (such as cash and cash equivalents, trade and other receivables, and raw materials), non-current assets (such as machinery and equipment, long-term equity investments and other investment instruments, electronic equipment and vehicles, buildings, construction-in-progress) and intangible assets (such as land use rights) were valued. Having considered the characteristics of the power industry, including that it is a heavy industry, the appraisers concluded that the asset-based approach is more suitable and the appraised value thereunder was adopted as the final appraised value of the Target Companies.

In arriving at the appraisal results, the appraisers had made various general assumptions including assumptions of all appraised assets being in the course of transaction, open market, going-concern, and no material change. With respect to individual Target Companies, the appraisers had made special assumptions including operating life of specific assets, successful renewal or non-revocation of certain licenses and the continuance of certain policies and concessions.

Adopting the asset-based approach and on the basis of the above-mentioned assumptions, the appraisers have arrived at appraised value representing appreciation rates that range from 17.63% to 60.61% over the book value of the Target Companies. The difference in appraised value of assets under the asset-based approach and their net book value is primarily attributable to the methodology of the asset-based approach, being that the value of the appraised object is determined from a re-acquisition perspective.

Please refer to Appendix V to this circular for a summary of the Asset Appraisal Reports. Pursuant to Rule 11.1(b) of the Takeovers Code, Gram Capital has confirmed that each of CAA and CEA is suitably qualified to and experienced to undertake the valuation of the Target Assets. Please refer to Appendix VII to this circular for the report from Gram Capital in this regard.

**Conditions Precedent
for Effectiveness of
the Asset Purchase
Agreements and the
Supplemental
Agreements:**

The Asset Purchase Agreements (as supplemented by the Supplemental Agreements) shall come into force on the date on which all the following conditions precedent are fulfilled or satisfied:

- (1) the Transaction including the Asset Purchase Agreements (as supplemented by the Supplemental Agreements) having been considered and approved by the Board and at the general meeting of the Company, including having obtained the requisite approvals of: (i) Independent Shareholders in relation to the issue of Consideration Shares and the Transaction including the Asset Purchase Agreements (as supplemented by the Supplemental Agreements); (ii) Shareholders in relation to the waiver of general offer obligation by China Huadian arising in connection with the Transaction under the applicable PRC laws and regulations; and (iii) Independent Shareholders in relation to the waiver of mandatory offer obligation by China Huadian arising in connection with the Transaction under the Rule 26 of Takeovers Code;
- (2) the Sellers having performed the relevant internal procedures to consider and approve the Transaction (including having been considered and approved by their respective boards of directors);
- (3) the Asset Appraisal Reports having been filed with the state-owned assets supervision and administration authority or its authorised agency;
- (4) the Transaction having been approved by the state-owned assets supervision and administration authority or its authorised agency and other regulatory authorities (if any);
- (5) the Transaction having been approved by the SSE and having been consented for registration by the CSRC; and
- (6) the Transaction having been approved or consented to by the relevant regulatory authorities in Hong Kong, including the granting of the Whitewash Waiver by the Executive to China Huadian.

None of the above conditions may be waived by any of the Parties. As at the Latest Practicable Date, except for conditions (2) and (3), none of the above conditions precedent has been fulfilled.

Attribution of Profits and Losses for the Transition Period:

Save that an amount of not exceeding RMB250.0 million and RMB190.0 million that may be paid respectively by Huadian Furui and Operation Company into the registered paid-up capital/capital reserves of Target Companies II and Guigang Electric Power shall be adjusted for in cash payment to Huadian Furui and Operation Company, the profits and losses of the Target Assets during the Transition Period shall be shared or borne by the Company, and the parties to the Transaction are not required to adjust the consideration of the Target Assets according to the profits and losses during the Transition Period. Such Transition Period is expected to end by the second quarter of 2025 and is subject to, among others, the respective approval and registration process of the SSE and CSRC.

Closing:

The Sellers shall, immediately after the Effective Date, procure the Target Companies to perform the necessary procedures, amend the articles of association and other documents, and complete the industrial and commercial change registration of the transfer of the Target Assets to the Company within 15 business days after the Effective Date.

2. Issuance of Consideration Shares

Type and Par Value of Consideration Shares to be Issued:

Ordinary shares denominated in RMB (A Shares) with a par value of RMB1.00 per Share, which will be listed on the SSE.

The Consideration Shares, when fully paid and issued, will rank *pari passu* in all respects with the A Shares in issue at the time of the issuance of such Consideration Shares.

Method of Issuance and Target Subscribers:

The method for issuance of Consideration Shares shall be issuing shares to a specific target subscriber, who will be China Huadian.

Specific Mandate for the Issuance of Consideration Shares:

The Company shall issue the Consideration Shares under the Specific Mandate to be sought from the Independent Shareholders at the general meeting.

**Pricing Benchmark
Date, Pricing Basis
and Issue Price:**

The Pricing Benchmark Date for the Consideration Shares shall be the announcement date of the resolutions passed at the tenth meeting of the tenth session of the Board of the Company (i.e. 2 August 2024) in which the proposals related to the Transaction were considered and approved. After negotiation between the parties, the initial issue price of the Consideration Shares was determined to be RMB5.13 per A Share, which is not less than 80% of the average trading price of the Company's A Shares in the 20 Trading Days prior to the Pricing Benchmark Date. The issue price of the Consideration Shares was adjusted to RMB5.05 per A Share following the Company's distribution of 2024 interim dividend of RMB0.08 per Share (tax inclusive), according to the formula below.

Pursuant to the Measures for the Administration of the Major Asset Restructuring of Listed Companies (2023 Revision) (《上市公司重大資產重組管理辦法(2023年修訂)》), the price of the shares to be issued by the listed companies shall not be less than 80% of the market reference price of the shares. The market reference price shall be any of the average trading price of the shares of the listed companies over the last 20 Trading Days, 60 Trading Days or 120 Trading Days prior to the pricing benchmark date of the shares to be issued. The formula for calculating the average trading price during a certain period is as follows:

$$\text{Average trading price} = \frac{\text{Total trading value of A Shares during the period}}{\text{Total trading volume of A Shares during the period}}$$

The average trading prices of the A Shares of the Company over the last 20 Trading Days, 60 Trading Days and 120 Trading Days prior to the Pricing Benchmark Date are shown in the following table:

Unit: RMB/Share

Period	Market reference price (RMB)	80% of market reference price (RMB)
Last 20 Trading Days	6.41	5.13
Last 60 Trading Days	6.60	5.29
Last 120 Trading Days	6.44	5.16

Note: the calculation results for 80% of the market reference price are rounded up to the nearest two decimal places. On 18 July 2024, the Company announced the implementation of the 2023 annual dividend distribution and a cash dividend of RMB0.15 per share (tax inclusive) has been distributed to all Shareholders. The Company's A Shares were suspended from trading since the opening of market on 19 July 2024 due to the planning of the Transaction. The ex-rights (ex-dividend) date for the dividend distribution was 25 July 2024. The aforementioned calculation has been adjusted for ex-rights and ex-dividend events based on the aforesaid dividend distribution. As further detailed below, the Company has subsequently distributed its 2024 interim dividend of RMB0.08 per A Share (tax inclusive) and HK\$0.08775 per H Share and does not have further plan for dividend distribution as at the Latest Practicable Date.

During the period between the Pricing Benchmark Date and the Issuance Date of the Consideration Shares, if there are any ex-rights or ex-dividend events of the Company, such as distribution of dividend, issue of bonus share, share allotment or capitalisation issue, the issue price will be adjusted according to the following formula, and the calculation result will be rounded up to the nearest two decimal places. The adjustment formula for the issue price is as follows:

In the event of bonus issue or capitalisation issue:
 $P1=P0/(1+n)$;

In the event of share allotment: $P1=(P0+A \times k)/(1+k)$;

In the event of the above two items implemented simultaneously: $P1=(P0+A \times k)/(1+n+k)$;

In the event of distribution of cash dividend: $P1=P0-D$;

In the event that the above three items are implemented simultaneously: $P1=(P0-D+A \times k)/(1+n+k)$.

Where, “P0” is the issue price of the Consideration Shares before adjustment; “n” is the rate of bonus issue or rate of capitalisation issue; “k” is the rate of shares to be allotted per share; “A” is the share price to be allotted; “D” is the amount of cash dividend per share; and “P1” is the adjusted issue price of the Consideration Shares.

Following the Company’s distribution of 2024 interim dividend of RMB0.08 per Share (tax inclusive), the issue price has been adjusted from RMB5.13 per Share to RMB5.05 per A Share according to the above formula.

The issue price of RMB5.05 per Consideration Share represents:

- (1) a discount of approximately 11.40% to the closing price of RMB5.70 per A Share as quoted on SSE on 6 November 2024, being the Latest Practicable Date;
- (2) a discount of approximately 7.68% to the closing price of RMB5.47 per A Share as quoted on SSE on 30 October 2024, being the date of the Announcement;

- (3) a discount of approximately 13.68% to the closing price on an ex-dividend basis of RMB5.85 per A Share as quoted on SSE on 18 July 2024, being the last Trading Day before the Pricing Benchmark Date;
- (4) a discount of approximately 13.68% to the average closing price on an ex-dividend basis of RMB5.85 per A Share as quoted on SSE for the five consecutive Trading Days immediately prior to the Pricing Benchmark Date;
- (5) a discount of approximately 17.89% to the average closing price on an ex-dividend basis of RMB6.15 per A Share as quoted on SSE for the ten consecutive Trading Days immediately prior to the Pricing Benchmark Date;
- (6) a discount of approximately 22.43% to the average closing price on an ex-dividend basis of RMB6.51 per A Share as quoted on SSE for the 30 consecutive Trading Days immediately prior to the Pricing Benchmark Date;
- (7) a premium of approximately 32.30% over the Company's audited net asset value attributable to the Shareholders per Share of approximately RMB3.82 as at 31 December 2023; and
- (8) a premium of approximately 26.57% over the Company's unaudited net asset value attributable to the Shareholders per Share of approximately RMB3.99 as at 30 June 2024.

The issue price of the Consideration Shares was arrived at after arm's length negotiation between China Huadian and the Company in accordance with the applicable PRC laws, regulations and regulatory requirements, taking into account factors including present market conditions and lock-up requirements. Accordingly, the Board (including the independent non-executive Directors) considers that the issue price of the Consideration Shares is fair and reasonable and in the interests of the Company and Shareholders as a whole.

**Adjustment
Mechanism for the
Issue Price**

In order to better respond to the fluctuation of the Company's share price caused by market and industry factors such as changes in capital market performance, an adjustment mechanism for the issue price of the Consideration Shares will be introduced, the details of which are as follows:

(1) The target of the price adjustment mechanism

The adjustment target of the price adjustment mechanism is the issue price of Consideration Shares.

(2) Conditions for the effectiveness of the price adjustment mechanism

The price adjustment mechanism shall be approved at the general meeting of the Company.

(3) Adjustable period

From the poll results announcement date of the general meeting of the Company at which the Transaction was considered until the Transaction is registered with the CSRC.

(4) Trigger conditions of the price adjustment

During the adjustable period, in the event that there are following significant changes in the A Shares price as compared with the initial issue price of the Consideration Shares, the Board has the right to convene a Board meeting to consider whether to adjust the issue price of the Consideration Shares after the Transaction is considered and approved at the general meeting of the Company. In the event where the number of Consideration Shares to be issued exceeds 678,863,257 as a result of the Board exercising its discretion to adjust the issue price according to the above-mentioned price adjustment mechanism after the EGM, the Company will seek further approval for the Specific Mandate for the issuance of Consideration Shares and a new Whitewash Waiver, which, along with the Transaction, will be subject to approval from Independent Shareholders at a separate general meeting.

A. Downward adjustment

During the adjustable period, downward adjustment will be triggered when the following two conditions are simultaneously satisfied on any Trading Day: (a) the closing index of the SSE Composite Index (000001.SH) or Wind Power Industry Index (882528.WI) on at least 20 Trading Days of 30 consecutive Trading Days before such Trading Day are more than 20% lower than the closing index on the Trading Day before the holding of the first Board meeting of the Company to approve the Transaction; (b) the daily average trading price of A Shares of the Company on at least 20 Trading Days of 30 consecutive Trading Days before such Trading Day are more than 20% lower than the closing price of A Shares on the Trading Day before the holding of the first Board meeting of the Company for the Transaction.

B. Upward adjustment

During the adjustable period, upward adjustment will be triggered when the following two conditions are simultaneously satisfied on any Trading Day: (a) the closing index of the SSE Composite Index (000001.SH) or Wind Power Industry Index (882528.WI) on at least 20 Trading Days of 30 consecutive Trading Days before such Trading Day are more than 20% higher than the closing index on the Trading Day before the holding of the first Board meeting of the Company to approve the Transaction; (b) the daily average trading price of A Shares of the Company on at least 20 Trading Days of 30 consecutive Trading Days before such Trading Day are more than 20% higher than the closing price of shares on the Trading Day before the holding of the first Board meeting of the Company for the Transaction.

The above price adjustment mechanism would allow the Board to adjust the issue price of Consideration Shares in response to significant changes in market conditions, and would not affect the amount of consideration for the Transaction. Accordingly, the Board (including the independent non-executive Directors) considers that the price adjustment mechanism is fair and reasonable and in the interests of the Company and Shareholders as a whole. As further explained below, in the event where the Board exercises its discretion to adjust the issue price of Consideration Shares downward, so that more than 678,863,257 Consideration Shares will be issued, the Company will seek further approval for the Specific Mandate for the issuance of Consideration Shares and the Whitewash Waiver from Independent Shareholders at a general meeting. As at the Latest Practicable Date, none of the above trigger conditions had occurred.

(5) Price adjustment reference date

During the adjustable period, if the Board decides to adjust the issue price of the Consideration Shares within 20 Trading Days after one of the “trigger conditions of the price adjustment” above is satisfied, the price adjustment reference date shall be the next Trading Day after the trigger condition of the price adjustment is satisfied for the first time.

(6) Issue price adjustment mechanism

An adjustment to the issue price of the Consideration Shares could and could only be made once by the Company during the adjustable period. Upon agreement by China Huadian, if the Board considers and decides to adjust the issue price of the Consideration Shares, the issue price of the Consideration Shares shall be adjusted to: not less than 80% of the average trading price of the Company’s A Shares in 20 Trading Days, 60 Trading Days or 120 Trading Days (excluding the price adjustment reference date) prior to the price adjustment reference date and not less than the net asset value per Share of RMB3.82 in the Company’s latest audit report.

If the Board considers and decides not to adjust the issue price of the Consideration Shares, the issue price of the Consideration Shares shall not be adjusted subsequently.

(7) Adjustment to the number of Shares to be issued

After the adjustment to the issue price of the Consideration Shares, the consideration of 80% equity interests in Jiangsu Huadian shall remain unchanged, and the number of Consideration Shares to be issued to China Huadian shall be adjusted accordingly. As noted above, in the event where the number of Consideration Shares to be issued exceeds 678,863,257 as a result of the Board exercising its discretion to adjust the issue price according to the above-mentioned price adjustment mechanism after the EGM, the Company will seek further approval for the Specific Mandate for the issuance of Consideration Shares and a new Whitewash Waiver, which, along with the Transaction, will be subject to approval from Independent Shareholders at a separate general meeting.

(8) Ex-rights and ex-dividend events for the period between the price adjustment reference date and the Issuance Date

During the period between the price adjustment reference date and the Issuance Date, if there are any ex-rights and ex-dividend events of the Company, such as distribution of dividend, issue of bonus share, share allotment or capitalisation issue, the adjusted price and number of the Consideration Shares to be issued shall be adjusted accordingly in accordance with the above relevant formulas.

**Number of
Consideration
Shares to be Issued:**

The number of Consideration Shares to be issued shall be determined according to the following formula:

Total number of the Consideration Shares to be issued =
Consideration to be paid to China Huadian in the form of
issuance of Shares/Issue price of the Consideration Shares

The number of new Shares to be acquired by China Huadian, as calculated according to the above formula, shall be rounded down to the nearest one share, and fractional Share shall be regarded as its donation to the Company and directly included in the capital reserve of the Company.

The final number of Consideration Shares to be issued is subject to the number of Consideration Shares to be considered and approved at the general meeting of the Company, approved by the SSE and registered with the CSRC.

During the period between the Pricing Benchmark Date and the Issuance Date, if there are any ex-rights and ex-dividend events of the Company, such as distribution of dividend, issue of bonus share, share allotment or capitalisation issue, or the issue price is adjusted according to the above-mentioned issue price adjustment mechanism, the number of Consideration Shares to be issued will also be adjusted accordingly according to the adjustment of the issue price.

On the basis that the consideration for the purchase of Target Assets I to be settled by the issuance of Consideration Shares is RMB3,428.3 million and assuming the final issue price of the Consideration Shares is the issue price of RMB5.05 per Consideration Share, the number of Consideration Shares to be issued by the Company to China Huadian is 678,863,257 A Shares.

In the event where the number of Consideration Shares to be issued exceeds 678,863,257 as a result of the Board exercising its discretion to adjust the issue price according to the above-mentioned price adjustment mechanism after the EGM, the Company will seek further approval for the Specific Mandate for the issuance of Consideration Shares and a new Whitewash Waiver, which, along with the Transaction, will be subject to approval from Independent Shareholders at a separate general meeting.

Lock-up Period

China Huadian shall not transfer the Shares acquired under the Transaction within 36 months from the date of the closing of the issuance of Consideration Shares in any manner. Where the closing price of A Shares is lower than the issue price for 20 consecutive Trading Days during the 6 months after completion of the issuance of Consideration Shares or the closing price is lower than the issue price at the end of the 6 months after completion of the issuance of Consideration Shares, the lock-up period of A Shares held by it will be automatically extended for another 6 months.

The A Shares held directly and indirectly by China Huadian prior to the issuance of Consideration Shares will not be transferred within 18 months after completion of the issuance of Consideration Shares in any manner; if such Shares are increased due to (among others) the issuance of bonus share, capitalisation issue or share allotment of the Company, the increased A Shares will also be subject to the above-mentioned lock-up period. However, transfers permitted under applicable laws, regulations and regulatory documents are not subject to such restrictions.

China Huadian agrees to make corresponding adjustments in accordance with the latest regulatory requirements of the securities regulatory authorities if the lock-up period undertaking is inconsistent with such latest regulatory requirements of the securities regulatory authorities. After the expiration of the lock-up period, such transfer shall be subject to the relevant requirements of the CSRC and the SSE.

**Arrangements for
Accumulated Profit:**

The accumulated undistributed profits (if any) of the Company before completion of the issuance of Consideration Shares shall be jointly shared by new and existing Shareholders after completion of the issuance of Consideration Shares in proportion to their respective shareholding as registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch from the completion date of the issuance of Consideration Shares.

3. Information on the Parties to the Transaction

The Group

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

China Huadian

China Huadian, the controlling shareholder of the Company, directly and indirectly holds approximately 45.17% 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. Its ultimate beneficial owner is SASAC.

Huadian Furui

Fujian Huadian Furui Energy Development Co., Ltd. is a limited liability company established in the PRC in 2020, and its principal businesses are power generation business, power transmission business, power supply (distribution) business; hydroelectric power generation; supervision of construction engineering; supervision of water conservancy engineering; installation, maintenance and testing of power transmission, power supply, power receiving facilities; construction engineering (items subject to approval by law may not be carried out until approved by the relevant departments, and the specific business projects shall be subject to the approval documents or license certificates of the relevant departments) General items: power generation technical services; wind power technical services; solar power generation technical service; sales of solar thermal power generation products; information technology consulting services; lease of photovoltaic power generation equipment; environmental consulting services; technology promotion services; technical services; technology development, technology consulting, technology exchange, technology transfer, technology promotion; engineering management services; sales of coal and its products; sales of metal materials; manufacture of electronic (gas) physical equipment and other electronic equipment; sales of power electronic components; hardware products wholesale; sales of construction materials; import and export of goods (except for items subject to approval by law, with a business license to conduct business activities independently in accordance with the law.)

Operation Company

CHD Power Plant Operation Co., Ltd. is a limited liability company established in the PRC in 2007, and its principal businesses are heat production and supply; cooling services; technical services for power generation; technical services for wind power generation; technical services for solar power generation; technical services for energy storage; biomass energy technology services; electrical equipment repairment; technical services; technical

development, technical consultation, technical exchange, technology transfer and technology popularisation; new energy technology research and development; import and export of technologies, import and export of goods; import and export agents; engineering management services; park management services; entrepreneurial space services; property management; Non-residential real estate leasing; enterprise management; enterprise headquarters management. Licensed projects (except for projects subject to approval by law, with a business license to conduct business activities independently in accordance with the law): power generation business, power transmission business, power supply (distribution) business; hydroelectric power generation; power supply business; Installation, maintenance and testing of power transmission, power supply and power receiving facilities; electrical installation services; construction engineering; construction engineering supervision. (For projects subject to approval in accordance with the law, the company can only carry out business activities after approval by the relevant departments, and the specific business projects are subject to the approval documents or licenses of the relevant departments) (The company shall not engage in business activities of projects prohibited and restricted by the state and the city's industrial policy.)

4. Information on the Target Companies

Jiangsu Huadian

Jiangsu Huadian is a limited liability company established in the PRC in 2008, primarily engaged in the investment, development, operation and management of thermal power plant projects. Its main product is electric power. As at the Latest Practicable Date, Jiangsu Huadian is owned as to (i) 80% by China Huadian and (ii) 20% by PetroChina Company Limited (中國石油天然氣股份有限公司), which is ultimately controlled by SASAC. As at 30 June 2024, the combined audited total assets and net assets of Jiangsu Huadian amounted to approximately RMB32,459.7 million and RMB10,412.3 million, respectively.

The combined audited financial information of Jiangsu Huadian for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 is set out below:

	For the six months ended 30 June 2024 (RMB'000)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Net profit/(loss) before taxation	470,142	956,874	(2,575,169)
Net profit/(loss) after taxation	393,101	734,882	(2,522,887)

The overall increase in profit during the reporting period was primarily due to (i) increase of turnover from the sale of electricity and heat as a result of the recovery of demand following the global health crisis, and (ii) decrease in operation costs as a result of reduction in fuel costs. For details, please refer to management discussion and analysis of Jiangsu Huadian in Appendix IV to this circular.

On 29 October 2024, China Huadian completed the transfer to Jiangsu Huadian all assets and liabilities of a branch that engage in the investment, development, operation and management of thermal power plant projects. The transfer was financed by Jiangsu Huadian's internal resources. The effect of such transfer has been accounted for in the asset appraisal report of Jiangsu Huadian. For details, please refer to Note 1 of the accountants' report of Jiangsu Huadian in Appendix II to this circular.

Shanghai Fuxin

Shanghai Fuxin is a limited liability company established in the PRC in 2014, primarily engaged in the investment, development, operation and management of thermal power plant projects. Its main product is electric power. As at the Latest Practicable Date, Shanghai Fuxin is owned as to (i) 51% by Huadian Furui and (ii) 49% by Luenmei Quantum Co., Ltd (聯美量子股份有限公司), whose shares are listed on the SSE (stock code: 600167). As at 30 June 2024, the audited total assets and net assets of Shanghai Fuxin amounted to approximately RMB389.5 million and RMB202.8 million, respectively.

The audited financial information of Shanghai Fuxin for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 is set out below:

	For the six months ended 30 June 2024 (RMB'000)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Net profit before taxation	14,188	32,931	12,353
Net profit after taxation	10,495	24,721	8,908

Shanghai Minhang

Shanghai Minhang is a limited liability company established in the PRC in 2011, primarily engaged in the investment, development, operation and management of thermal power plant projects. Its main product is electric power. As at the Latest Practicable Date, Shanghai Minhang is wholly-owned by Huadian Furui. As at 30 June 2024, the audited total assets and net assets of Shanghai Minhang amounted to approximately RMB1,214.0 million and RMB397.0 million, respectively.

The audited financial information of Shanghai Minhang for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 is set out below:

	For the six months ended 30 June 2024 (RMB'000)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Net profit before taxation	41,507	32,092	34,836
Net profit after taxation	32,123	28,030	33,871

Guangzhou University City

Guangzhou University City is a limited liability company established in the PRC in 2008, primarily engaged in the investment, development, operation and management of thermal power plant projects. Its main product is electric power. As at the Latest Practicable Date, Guangzhou University City is owned as to (i) 55.0007% by Huadian Furui and (ii) 44.9993% by Guangzhou University Energy Source Development Co., Ltd* (廣州大學城能源發展有限公司), which is ultimately controlled by State-owned Assets Supervision and Administration Commission of the People's Government of Guangzhou. As at 30 June 2024, the audited total assets and net assets of Guangzhou University City amounted to approximately RMB690.8 million and RMB434.2 million, respectively.

The audited financial information of Guangzhou University City for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 is set out below:

	For the six months ended 30 June 2024 (RMB'000)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Net profit before taxation	53,791	4,397	44,728
Net profit after taxation	45,565	2,561	33,715

Fuxin Guangzhou

Huadian Fuxin Guangzhou Energy Co., Ltd. is a limited liability company established in the PRC in 2016, primarily engaged in the investment, development, operation and management of thermal power plant projects. Its main product is electric power. As at the Latest Practicable Date, Fuxin Guangzhou is owned as to (i) 55% by Huadian Furui, (ii) 20% by PetroChina Kunlun Gas Co., Ltd* (中國石油昆侖燃氣有限公司), which is ultimately controlled by SASAC, (iii) 10% by China Energy Engineering Group Investment Co., Ltd* (中國能源建設集團投資有限公司), which is ultimately controlled by SASAC, (iv) 10% by

Guangzhou Zengcheng District Investment Group Co., Ltd* (廣州市增城區產業投資集團有限公司), which is ultimately controlled by State-owned Assets Supervision and Administration Commission of the People's Government of Guangzhou Zengcheng District and (v) 5% by Southwest Electric Power Design Institute Co., Ltd* (中國電力工程顧問集團西南電力設計院有限公司), which is ultimately controlled by SASAC. As at 30 June 2024, the audited total assets and net assets of Fuxin Guangzhou amounted to approximately RMB2,671.4 million and RMB860.4 million, respectively.

The audited financial information of Fuxin Guangzhou for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 is set out below:

	For the six months ended 30 June 2024 (RMB'000)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Net profit before taxation	24,455	196,697	47,417
Net profit after taxation	22,727	148,550	34,099

Fuxin Jiangmen

Huadian Fuxin Jiangmen Energy Company Limited is a limited liability company established in the PRC in 2013, primarily engaged in the investment, development, operation and management of thermal power plant projects. Its main product is electric power. As at the Latest Practicable Date, Fuxin Jiangmen is owned as to (i) 70% by Huadian Furui and (ii) 30% by Guangzhou Nansha Economic and Technological Development Zone Weixin Industrial Co., Ltd* (廣州南沙經濟技術開發區偉鑫實業有限公司), which is ultimately controlled by Mr. Ye Zhifei (葉志飛), a third party independent from the Company. As at 30 June 2024, the audited total assets and net assets of Fuxin Jiangmen amounted to approximately RMB986.6 million and RMB198.2 million, respectively.

The audited financial information of Fuxin Jiangmen for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 is set out below:

	For the six months ended 30 June 2024 (RMB'000)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Net profit/(loss) before taxation	11,399	48,223	(74,984)
Net profit/(loss) after taxation	8,260	35,689	(56,081)

Fuxin Qingyuan

Huadian Fuxin Qingyuan Energy Company Limited is a limited liability company established in the PRC in 2013, primarily engaged in the investment, development, operation and management of thermal power plant projects. Its main product is electric power. As at the Latest Practicable Date, Fuxin Qingyuan is wholly-owned by Huadian Furui. As at 30 June 2024, the audited total assets and net assets of Fuxin Qingyuan amounted to approximately RMB624.0 million and RMB97.5 million, respectively.

The audited financial information of Fuxin Qingyuan for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 is set out below:

	For the six months ended 30 June 2024 (RMB'000)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Net loss before taxation	20,443	35,525	201
Net loss after taxation	20,443	35,525	201

Guigang Electric Power

CHD Guigang Electric Power Co., Ltd. is a limited liability company established in the PRC in 2003, primarily engaged in the investment, development, operation and management of thermal power plant projects. Its main product is electric power. As at the Latest Practicable Date, Guigang Electric Power is wholly-owned by Operation Company. As at 30 June 2024, the combined audited total assets and net assets of Guigang Electric Power amounted to approximately RMB2,699.8 million and RMB1,430.4 million, respectively.

The combined audited financial information of Guigang Electric Power for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 is set out below:

	For the six months ended 30 June 2024 (RMB'000)	For the year ended 31 December 2023 (RMB'000)	For the year ended 31 December 2022 (RMB'000)
Net profit/(loss) before taxation	28,900	112,848	(450,012)
Net profit/(loss) after taxation	19,197	87,583	(391,550)

On 25 October 2024, Huadian Furui completed the transfer to Guigang Electric Power all equity interests in certain subsidiaries that engage in the investment, development, operation and management of thermal power plant projects. The transfer was financed by Guigang

Electric Power's internal resources. The effect of such transfer has been accounted for in the asset appraisal report of Guigang Electric Power. For details, please refer to Note 1 of the accountants' report of Guigang Electric Power in Appendix II to this circular.

Please refer to the Appendix II to this circular for the accountant's report on the Target Companies for the three financial years ended 31 December 2023 and the six months ended 30 June 2024.

III. PROPOSED ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS

The Company proposes to issue New A Shares to no more than 35 (including 35) qualified target subscribers. Such qualified target subscribers may include any securities investment fund management company, securities firm, financial services company, asset management company, insurance company, other legal person or natural person investors in the PRC who may or may not be Shareholders of the Company. China Huadian has informed the Company that China Huadian will not participate, and will use reasonable endeavours to request parties acting in concert with it not to participate, in the Proposed A Share Issuance. As at the Latest Practicable Date, none of the qualified target subscribers has been identified, and it is expected that none of the qualified target subscribers would subscribe for 10% or more of the total issued Shares of the Company (upon completion of the Transaction and Proposed Issuance of A Shares). In the event where any connected person of the Company participates in the Proposed Issuance of A Shares, the Company will comply with the requirements under Chapter 14A of the Listing Rules. The total amount of ancillary funds to be raised shall not exceed RMB3,428.0 million (being 100% of the Consideration Shares' total value, rounded down to the nearest million RMB) and the number of New A Shares to be issued shall not exceed 30% of the total issued share capital of the Company upon the completion of the issuance of Consideration Shares. The number and price of New A Shares to be issued under the Proposed Issuance of A Shares will be determined in accordance with the relevant requirements of the CSRC.

The Proposed Issuance of A Shares is conditional on the implementation of the Transaction while the Transaction is not conditional on the completion of the Proposed Issuance of A Shares.

The details of the Proposed Issuance of A Shares are as follows:

Type and Par Value of New A Shares to be Issued:	Ordinary shares denominated in RMB (A Shares) with a par value of RMB1.00 per Share, which will be listed on the SSE. The New A Shares, when fully paid and issued, will rank <i>pari passu</i> in all respects with the A Shares in issue at the time of the issuance of such New A Shares.
Specific Mandate for the issuance of New A Shares	The New A Shares under the Proposed Issuance of A Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

**Pricing Date, Pricing
Basis and Issue
Price:**

The Pricing Date of the Proposed Issuance of A Shares is the first day of the issuance period of the New A Shares. The issue price will not be less than 80% of the average trading price of the Company's A shares in 20 Trading Days prior to the Pricing Date, and shall not be less than the audited net assets per Share of RMB3.82 as at 31 December 2023.

The final issue price of the New A Shares will be determined by the Board and its authorised persons in accordance with the authorisation of the general meeting and in consultation with the lead underwriter for the Proposed Issuance of A Shares based on the bidding results, after the Transaction and the Proposed Issuance of A Shares have been approved by the SSE and registered by the CSRC, and pursuant to the provisions of laws, regulations and the requirements of regulatory authorities. The net price per New A Share will be disclosed in due course.

The specific time of Proposed Issuance of A Shares shall be determined by the Company and the lead underwriter based on the proposal for use of proceeds and market conditions, subject to the above-mentioned regulatory approval and registration process. The authorisation in relation to the Transaction and Proposed Issuance of A Shares shall be valid for 12 months from the date of the approval by the Shareholders (subject to an automatic extension until completion if the approval of the CSRC in respect of the Transaction and Proposed Issuance of A Shares is obtained during the aforementioned 12-month period).

During the period from the Pricing Date to the Issuance Date of the New A Shares, if there are any ex-rights and ex-dividend events, such as distribution of dividend, issue of bonus share, capitalisation issue or share allotment, the issue price of the New A Shares shall be adjusted in accordance with the relevant rules of the CSRC and the SSE.

On the basis that the issue price of the New A Shares will be determined in accordance with the applicable PRC laws, regulations and regulatory requirements, and based on bidding results, the Board (including independent non-executive Directors) considers that the mechanism is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Total Amount of Ancillary Funds to be Raised and Number of Shares to be Issued:

The total amount of ancillary funds to be raised shall not exceed RMB3,428.0 million (being 100% of the Consideration Shares' total value, rounded down to the nearest million RMB) and the number of the New A Shares to be issued shall not exceed 30% of the total issued share capital of the Company upon the completion of the issuance of Consideration Shares. The final amount of proceeds and number of Shares to be issued will be capped at those approved by the SSE and registered by the CSRC. The final number of New A Shares to be issued will be determined by the Board and its authorised persons in accordance with the authorisation of the general meeting and the actual situation at the time of issuance and in consultation with the lead underwriter for the Proposed Issuance of A Shares, after the Transaction and the Proposed Issuance of A Shares have been approved by the SSE and registered by the CSRC, and pursuant to the provisions of laws, regulations and the requirements of regulatory authorities.

The formula for calculating the number of New A Shares to be issued is: The number of New A Shares to be issued to raise ancillary funds = The amount of ancillary funds to be raised/The issue price per New A Share (rounded down to the nearest one New A Share).

During the period from the Pricing Date to the Issuance Date of the New A Shares, if there are any ex-rights and ex-dividend events, such as distribution of dividend, issue of bonus share, capitalisation issue or share allotment, which cause the change of the issue price of the New A Shares, the number of the New A Shares to be issued will be adjusted accordingly.

Lock-up Period:

The target subscribers under the Proposed Issuance of A Shares shall not transfer the New A Shares within six months from the closing date of issuance of the New A Shares. Upon completion of the Proposed Issuance of A Shares, if the target subscribers under the Proposed Issuance of A Shares acquire more A Shares as a result of any ex-rights and ex-dividend events of the Company, such as distribution of dividend, issue of bonus share, capitalisation issue or share allotment, such A Shares are also subject to the above-mentioned lock-up period.

If the above-mentioned lock-up period arrangement is inconsistent with the latest regulatory opinions of the securities regulatory authorities, the target subscribers under the Proposed Issuance of A Shares shall make relevant adjustments in accordance with the regulatory opinions of the relevant securities regulatory authorities.

After the expiration of the above-mentioned lock-up period, the transfer of the Company's A Shares acquired by the target subscribers under the Proposed Issuance of A Shares shall be subject to the relevant requirements of the CSRC and the SSE.

Use of Proceeds to be Raised:

Assuming ancillary funds of RMB3,428.0 million will be raised from the Proposed Issuance of A Shares, (i) approximately 41.7% of which will be used to pay the cash consideration, intermediary fees and relevant taxes and charges of the Transaction and (ii) approximately 58.3% of which will be used to fund a coal power expansion project in Wangting. The expansion project entails the construction of a 2X660MW double-reheat coal-fired power unit and advanced desulfurisation, denitrification and dust removal facilities. It is expected that this will not be a significant project of the Company but would allow the Company to enhance its operating scale and efficiency in the region.

In the event of any adjustment to the latest regulatory opinions of the securities regulatory authorities, the Company shall make relevant adjustments relating to the Proposed Issuance of A Shares in accordance with the latest regulatory opinions of the relevant securities regulatory authorities.

Before receiving the ancillary funds, the Company may, depending on the actual situation, pay in advance with its own and/or self-financing funds and then replace such funds with the ancillary funds once they are successfully raised. If the Company fails to successfully raise ancillary funds or the actual proceeds to be raised is less than the fund requirements for the use of proceeds to be raised, the Company will address the shortfall through its own or self-financing funds, at which time the Company will make appropriate adjustments as to the investment order, amount and specific methods for the above-mentioned use of proceeds to be raised based on the net proceeds actually raised and the actual requirements for the use of proceeds to be raised.

Arrangements for Accumulated Undistributed Profits:

Upon the completion of the Proposed Issuance of A Shares, the accumulated undistributed profits of the Company before the issuance will be shared by the new and existing Shareholders of the Company after the issuance in proportion to their respective shareholdings.

Bookbuilding arrangements:

The bookbuilding process of the Proposed Issuance of A Shares would be independently administered by the underwriter(s). The allocation of the Proposed Issuance of A Shares would be strictly formula-based and would solely be determined by reference to: (a) pricing; (b) subscription amount; and (c) timing of order, would not be subject to any other adjustments by any underwriter or the Company, and would be regulated under the rules of CSRC.

IV. REASONS AND BENEFITS OF THE TRANSACTION AND THE PROPOSED ISSUANCE OF A SHARES

The Transaction

1. Enhance the Company's controlled installed capacity and market competitiveness and build a flagship listed company under China Huadian for conventional energy to better serve the national energy security strategy

The total installed capacity in operation of the Target Assets to be injected into the Company is approximately 16.0 million KW, representing 27.2% of the Company's existing controlled installed capacity of approximately 58.8 million KW. After the injection, the Company's controlled installed capacity will significantly increase to approximately 74.8 million KW, further enhancing the Company's market competitiveness and brand influence in the power sector. By injecting high-quality thermal power assets into the Company, the value discovery mechanism of the capital market can be fully utilised to build a flagship listed company under China Huadian for conventional energy, contributing to the vital role of thermal power in ensuring the safe and stable operation of the power grid and energy supply security, thereby better serving the national energy security strategy.

2. Improve the Group's performance and strive to create benefits for all Shareholders

Upon completion of the Transaction, the Target Assets will be consolidated into the Group's financial statements, which will enhance the Group's asset scale, revenue and net profit, and will help the Company to further improve the layout of its domestic conventional energy assets, broaden its sources of income and diversify overall business risks. The Transaction is a proactive initiative for the Company to improve the asset quality of the Company and enhance its sustainable development capability. The Transaction will further expand the business advantages and asset scope of the Group, effectively enhancing the Group's competitiveness and increasing its investment value in the capital market, ultimately creating benefits for all Shareholders.

Proposed Issuance of A Shares

The funds to be raised from the Proposed Issuance of A Shares are intended to be used to (i) pay the cash consideration, intermediary fees and relevant taxes and charges of the Transaction and (ii) fund a coal power expansion project in Wangting, so as to improve the overall financial position and promote the future development of the Group.

The Board (including independent non-executive Directors of the Company) is of the view that the Asset Purchase Agreements and the Supplemental Agreements are fair and reasonable, are on normal or better commercial terms, and are in the interests of the Company and Shareholders as a whole.

V. IMPACT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the total issued share capital of the Company is 10,227,561,133 Shares, which comprises 8,510,327,533 A Shares and 1,717,233,600 H Shares.

As the number and price of New A Shares to be issued under the Proposed Issuance of A Shares has not been determined as at the Latest Practicable Date, its impact on the shareholding structure of the Company cannot be accurately assessed.

For illustration purpose, set out below is the shareholding structure of the Company:

- (i) as at the Latest Practicable Date; and
- (ii) immediately after completion of the Transaction (on the basis that the consideration for the purchase of Target Assets I to be settled by way of issuance of Consideration Shares is RMB3,428.3 million, and assuming that (a) there will not be any further adjustments to the issue price of the Consideration Shares of RMB5.05 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issuance of the A Shares pursuant to the Asset Purchase Agreement I (as supplemented by the Supplemental Agreement I)):

Name of Shareholder (Note 1)	Class of Shares	Shareholding as at the Latest Practicable Date			Shareholding immediately after completion of the Transaction (Note 3)		
		Number of Shares (Note 2)	Approximate percentage of the issued share capital of the relevant class (%)	Approximate percentage of the total issued share capital (%)	Number of Shares	Approximate percentage of the issued share capital of the relevant class (%)	Approximate percentage of the total issued share capital (%)
China Huadian and parties acting in concert with it (Note 4)							
China Huadian	A	4,534,199,224	53.28	44.33	5,213,062,481	56.73	47.80
China Huadian Hong Kong	H	85,862,000	5.00	0.84	85,862,000	5.00	0.79
Sub-total (Note 5)	A	4,534,199,224	53.28	44.33	5,213,062,481	56.73	47.80
	H	85,862,000	5.00	0.84	85,862,000	5.00	0.79
	Total A and H	4,620,061,224	-	45.17	5,298,924,481	-	48.59
Public A Shareholders	A	3,976,128,309	46.72	38.88	3,976,128,309	43.27	36.46
Public H Shareholders	H	1,631,371,600	95.00	15.95	1,631,371,600	95.00	14.96
Total		10,227,561,133	-	100.00	10,906,424,390	-	100.00

Notes:

1. As at the Latest Practicable Date, none of the Directors is interested in any Shares.
2. The Company does not have any outstanding convertible securities, warrants, options, or derivatives in issue as at the Latest Practicable Date which may confer any rights to subscribe for, convert or exchange into Shares.
3. The above shareholding table does not take into account any issue of H Shares that may take place pursuant to the general mandate granted by the Shareholders at the Company's annual general meeting held on 17 June 2024.
4. As at the Latest Practicable Date, 4,534,199,224 A Shares, representing approximately 44.33% of the total issued share capital of the Company, are held by China Huadian, and 85,862,000 H Shares, representing approximately 0.84% of the total issued share capital of the Company, are held by China Huadian Hong Kong, a wholly-owned subsidiary of China Huadian Overseas Investment Co., Ltd., which is in turn a wholly-owned subsidiary of China Huadian. China Huadian Hong Kong is presumed to be acting in concert with China Huadian in respect of the Company under class (1) of the definition of "acting in concert" under the Takeovers Code.
5. The approximate percentage figures are rounded to the nearest two decimal places and therefore, may not add up to 100% due to rounding.

As explained above, the final issue price of the New A Shares will be determined after the Transaction and the Proposed Issuance of A Shares have been approved by the SSE and registered by the CSRC. For illustrative purpose, assuming (i) the amount of ancillary funds to be raised is RMB3,428.0 million and (ii) the New A Shares will be issued at RMB5.05 per A Share, after the Proposed Issuance of A Shares, the percentage of issued share capital to be held by public holders of A Shares and H Shares will be approximately 40.18% and 14.08%, respectively. The number of New A Shares to be issued and the final issue price will be determined subject to applicable laws and regulations and the requirements of the regulatory authorities, bidding results and market conditions. The Company will ensure the compliance with the applicable public float requirement under the Hong Kong Listing Rules upon the completion of the Transaction and the Proposed Issuance of A Shares, and will scale down the number of A Shares to be issued under the Proposed Issuance of A Shares to the extent such issuance will result in non-compliance of the applicable public float requirement under the Hong Kong Listing Rules.

VI. FINANCIAL IMPACT OF THE TRANSACTION

Upon completion of the Transaction, each of the Target Companies will become a subsidiary of the Company and their financial statements will be included into the consolidated financial statements of the Group. The Company will hold 80% of Jiangsu Huadian, 51% of Shanghai Fuxin, 100% of Shanghai Minhang, 55.0007% of Guangzhou University City, 55% of Fuxin Guangzhou, 70% of Fuxin Jiangmen, 100% of Fuxin Qingyuan, and 100% of Guigang Electric Power upon completion of the Transaction.

The accompanying unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular is prepared as if the Transaction had taken place at 30 June 2024 to illustrate the effect of the Transaction.

Assets and Liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, for illustration purposes only, the total assets of the Group would have increased from RMB225,581.0 million to RMB269,053.9 million on a pro forma basis, the total liabilities of the Group would have increased from RMB137,100.5 million to RMB166,852.6 million on a pro forma basis, and the net assets of the Group would have increased from RMB88,480.5 million to RMB102,201.3 million on a pro forma basis.

Earnings

Upon the completion of the Transaction, the Target Companies will become subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the financial statements of the Group. It is expected that the Company will be able to record additional revenue stream from the Target Companies upon completion of the Transaction.

VII. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As one or more of the applicable percentage ratios in respect of the Transaction in accordance with the Hong Kong Listing Rules exceed 25% but are less than 100%, the Transaction constitutes a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

As at the date of this circular, China Huadian is the controlling shareholder of the Company, and Huadian Furui and Operation Company are subsidiaries of China Huadian, and are its associates. Therefore, the Sellers are connected persons of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under the Hong Kong Listing Rules and is subject to the report, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The completion of the Transaction will not result in a change in control of the Company and China Huadian is expected to remain the controlling shareholder of the Company upon completion of the Transaction.

The New A Shares under the Proposed Issuance of A Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Each of the Directors Mr. Dai Jun, Mr. Zhao Wei, Mr. Zeng Qinghua and Ms. Cao Min has abstained from voting on the relevant board resolutions in respect of the Transaction and the Proposed Issuance of A Shares to be considered and approved, due to a potential conflict of interest as a result of their positions in China Huadian and its subsidiaries pursuant to Rule 13.44 of the Hong Kong Listing Rules. Save as disclosed above, none of the Directors attending the Board meeting has a material interest in or is required to abstain from voting on the relevant resolutions.

VIII. IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for Whitewash Waiver

As at the Latest Practicable Date,

- (i) China Huadian holds 4,534,199,224 A Shares, representing approximately 44.33% of the total issued share capital of the Company; and
- (ii) China Huadian and parties acting in concert with it hold in aggregate 4,620,061,224 Shares (comprising 4,534,199,224 A Shares and 85,862,000 H Shares), representing approximately 45.17% of the total issued share capital of the Company.

Immediately following completion of the Transaction, on the basis that the consideration for the purchase of Target Assets I to be settled by way of issuance of Consideration Shares is RMB3,428.3 million, and assuming that (a) there will not be any further adjustments to the issue price of the Consideration Shares of RMB5.05 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issuance of A Shares pursuant to the Asset Purchase Agreement I (as supplemented by the Supplemental Agreement I),

- (i) the shareholding of China Huadian in the Company will increase to approximately 47.80%; and
- (ii) the aggregate shareholding of China Huadian and parties acting in concert with it in the Company will increase to approximately 48.59%.

Accordingly, upon completion of the Transaction, pursuant to Rule 26.1 of the Takeovers Code, China Huadian will be required to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by China Huadian and parties acting in concert with it, unless the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code is obtained from the Executive.

As such, completion of the Transaction is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application has been made by China Huadian (on behalf of itself and parties acting in concert with it) to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by Independent Shareholders either in person or by proxy at the EGM; and (ii) the approval of the Transaction by more than 50% of the votes cast by Independent Shareholders either in person or by proxy at the EGM as required under the Takeovers Code. As at the Latest Practicable Date, the Executive has indicated that it is minded to grant the Whitewash Waiver. The Transaction will not proceed if the Whitewash Waiver is not obtained or if the Whitewash Waiver is not approved by the Independent Shareholders.

Further, pursuant to the articles of association of the Company, the Asset Purchase Agreements and the Supplemental Agreements will have to be approved by at least two-thirds of the votes cast by Independent Shareholders at the EGM by way of poll.

As at the Latest Practicable Date, the Company does not believe that the Transaction gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Hong Kong Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Transaction does not comply with other applicable rules and regulations.

The proposal in relation to the Whitewash Waiver will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM, and shall be passed by at least 75% of the votes cast by the Independent Shareholders by way of poll at the EGM.

Intention of China Huadian regarding the Group

The Board was informed by China Huadian that, upon completion of the subscription of the Consideration Shares, it intends to continue the existing principal business of the Group, and it has no intention: (a) to introduce any major changes to the existing operations of the Group; (b) to re-deploy the fixed assets of the Group; or (c) to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

IX. IMPLICATIONS UNDER THE SSE LISTING RULES

As the A Shares are listed on the SSE, the Company is also required to comply with relevant requirements of the SSE Listing Rules. China Huadian is the controlling Shareholder of the Company, and a related party of the Company under the SSE Listing Rules. Accordingly, the Transaction constitutes a related party transaction under the SSE Listing Rules. The Transaction does not constitute a material asset restructuring under the Measures for the Administration of the Material Asset Restructurings of Listed Companies. Pursuant to the relevant provisions of the SSE Listing Rules, each of the Transaction and the Proposed Issuance of A Shares to Shareholders' approval at the EGM.

The authorisation in relation to the Transaction and Proposed Issuance of A Shares shall be valid for 12 months from the date of the approval by the Shareholders. If the approval of the CSRC in respect of the Transaction and Proposed Issuance of A Shares is obtained during the aforementioned 12-month period, the validity period shall be automatically extended until completion thereof. As advised by the Company's PRC legal adviser, the approval from the CSRC will be valid for a period of 12 months from the date of approval.

X. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund-raising activities during the period of 12 months preceding the Latest Practicable Date.

XI. INDEPENDENT BOARD COMMITTEES AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Hong Kong Listing Rules, the LR IBC (comprising all the independent non-executive Directors who do not have a material interest in the Transaction, namely Mr. Feng Zhenping, Mr. Li Xingchun, Mr. Wang Yuesheng and Ms. Shen Ling) has been formed to advise the Independent Shareholders on the Transaction (including the grant of Specific Mandate for the issuance of Consideration Shares).

Pursuant to Rule 2.8 of the Takeovers Code, the Code IBC (comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Transaction and the Whitewash Waiver, namely Mr. Zhu Peng, Mr. Wang Xiaobo, Mr. Feng Zhenping, Mr. Li Xingchun, Mr. Wang Yuesheng, and Ms. Shen Ling) has also been formed to advise the Independent Shareholders on the Transaction (including the grant of Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver. Mr. Zhao Wei, Mr. Zeng Qinghua and Ms. Cao Min, each a non-executive Director, have abstained from voting on the relevant board resolutions in respect of the Transaction and the Proposed Issuance of A Shares to be considered and approved at the EGM, and will not be members of the Code IBC and the LR IBC, due to a potential conflict of interest as a result of their positions in China Huadian and its subsidiaries. Mr. Zhao Wei and Mr. Zeng Qinghua are both directors of Huadian Liaoning Energy Development Co., Ltd., a subsidiary of China Huadian. Ms. Cao Min is the deputy director of the audit department of China Huadian, a supervisor of China Huadian Capital Holdings Company Limited (a subsidiary of China Huadian) and a supervisor of Huadian New Energy Group Corporation Limited (an associate of the Company).

Gram Capital has been appointed by the Company as the Independent Financial Adviser with the approval of the Independent Board Committees to advise such committees and the Independent Shareholders in relation to the Transaction (including the grant of Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver and to make recommendations as to voting.

XII. EGM

The EGM of the Company will be held at 2:00 p.m. on Wednesday, 27 November 2024 at Oriental Garden Hotel, No. 6 Dongzhimen South Street, Dongcheng District, Beijing, the PRC to consider, and if thought fit, approve, among other matters if applicable, the resolutions contained in the notice of the EGM in relation to: (i) the Transaction (including the Asset Purchase Agreements (as supplemented by the Supplemental Agreements)); (ii) the Proposed Issuance of A Shares; (iii) the Specific Mandates and (iv) the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by Independent Shareholders either in person or by proxy at the EGM; and (ii) the approval of the Agreements Purchase Agreements (as supplemented by the Supplemental Agreements) by more than 50% of the votes cast by Independent Shareholders either in person or by proxy at the EGM as required under the Takeovers Code. The voting in relation to such resolutions will be conducted by way of poll. The notice of the EGM is set out on pages EGM-1 to EGM-5 of this circular. Further, pursuant to the articles of association of the Company, the Asset Purchase Agreements and the Supplemental Agreements will have to be approved by at least two-thirds of the votes cast by Independent Shareholders at the EGM by way of poll.

China Huadian and parties acting in concert with, and close associates of, it (including China Huadian Hong Kong) will be required to abstain from voting in respect of the resolutions to approve the Transaction, the grant of the Specific Mandate for the issuance of Consideration Shares and the Whitewash Waiver at the EGM. Any other Shareholders who has any material interest in, or is interested or involved in, the Transaction, the Proposed Issuance of A Shares or the Whitewash Waiver will be required to abstain from voting in respect of the relevant resolutions at the EGM. None of the other Shareholders had any material interest in, or was interested or involved in, the Transaction, the Proposed Issuance of A Shares or the Whitewash Waiver and therefore would be required to abstain from voting in respect of the relevant resolutions at the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). To be valid, the notarised power of attorney or other authorisation documents and the completed Proxy Form shall be delivered to the Secretarial Office of the Board of the Company or Hong Kong Registrars Limited not less than 24 hours before the time designated for convening the EGM (being by 2:00 p.m. on Tuesday, 26 November 2024). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish and in such event, the proxy form shall be deemed to be revoked.

The register of members of the Company will be closed from Friday, 22 November 2024 to Wednesday, 27 November 2024, both days inclusive, for the purpose of determining the identity of the Shareholders who are entitled to attend the EGM, during which period no share transfers will be registered. To be eligible to attend the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the

Company's H share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 21 November 2024.

XIII. RECOMMENDATIONS

Given that Mr. Dai Jun, Mr. Zhao Wei, Mr. Zeng Qinghua and Ms. Cao Min, the Directors of the Company, hold positions in China Huadian, they have abstained from voting on the resolutions regarding the Transaction and the Proposed Issuance of A Shares at the fifteenth meeting of the tenth session of the Board at the EGM, and will not be members of the Code IBC and the LR IBC. Save as mentioned above, no other Directors have any material interest in the matters contained in this circular and therefore no other Directors have abstained from voting on relevant Board resolutions.

Gram Capital has been appointed as the Independent Financial Adviser to advise the LR IBC, Code IBC and the Independent Shareholders in respect of the Transaction and the Whitewash Waiver. Your attention is drawn to the letter of advice from the Independent Financial Adviser to the LR IBC, Code IBC and Independent Shareholders set out on pages 50 to 91 of this circular in connection with the Transaction and the Whitewash Waiver, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice. The Board (including members of the Independent Board Committees whose view is set out in the letter from the LR IBC and letter from the Code IBC on page 47 and pages 48 to 49 of this circular, respectively) is of the view that the (i) the Transaction and the Proposed Issuance of A Shares are on normal commercial terms or better, (ii) the Transaction (including the grant of Specific Mandate for the issuance of Consideration Shares), the Proposed Issuance of A Shares and the Whitewash Waiver are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

XIV. FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Huadian Power International Corporation Limited*
Dai Jun
Chairman

* For identification purpose only