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華電國際電力股份有限公司
Huadian Power International Corporation Limited*
*(A Sino-foreign investment joint stock company limited by shares incorporated in
the People's Republic of China (the "PRC"))*
(Stock code: 1071)

**POTENTIAL CONTINUING CONNECTED TRANSACTIONS;
CONTINUING CONNECTED TRANSACTIONS;
AND
CONNECTED TRANSACTION**

References are made to (i) the announcements of the Company dated 11 September 2020, 26 October 2021 and the circulars of the Company dated 9 October 2020, 24 November 2021 in relation to, among other things, the continuing connected transactions between the Group and China Huadian under the Existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement, which will expire on 31 December 2023; (ii) the announcement of the Company dated 29 March 2023 and the circular of the Company dated 28 April 2023 in relation to, among other things, continuing connected transactions between the Group and Huadian Financial Leasing under the Existing Finance Lease Service Framework Agreement, which will expire on 30 June 2024; and (iii) the announcement of the Company dated 7 December 2020 in relation to the connected transaction between the Company and Beijing Huabin under the Existing Property Leasing Agreement, which will expire on 31 December 2023.

**PROPOSED PURCHASE (SUPPLY) OF FUEL, EQUIPMENT AND SERVICES
FRAMEWORK AGREEMENT**

The Company intends to enter into the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement with China Huadian to renew the relevant continuing connected transactions under the Existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement with a term of three years from 1 January 2024 to 31 December 2026. As of the date of this announcement, the abovementioned matter has been approved by the Board and is subjected to the execution of the relevant agreement.

China Huadian is the controlling Shareholder of the Company (which directly and indirectly holds approximately 45.17% of the total issued share capital of the Company as at the date of this announcement) and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules upon entering into the agreement.

It is expected that upon entering into the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement, one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions thereunder will exceed 5%, thus the transactions contemplated thereunder are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement has not been formally executed. The Company will make further announcement in relation to the relevant continuing connected transactions as and when appropriate pursuant to the requirements of the Hong Kong Listing Rules.

PROPOSED FINANCE LEASE SERVICE FRAMEWORK AGREEMENT

The Company renewed and entered into the Proposed Finance Lease Service Framework Agreement with Huadian Financial Leasing, and the relevant continuing connected transactions with a term from 1 January 2024 (if the date of approval by the general meeting is later than that date, effective from the date of approval by the general meeting) to 31 December 2026. On the date of the commencement of the agreement period, the Existing Finance Lease Service Framework Agreement will automatically terminate.

Huadian Financial Leasing is a subsidiary of the controlling Shareholder of the Company, i.e. China Huadian, and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions under the Proposed Finance Lease Service Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the transactions under the Proposed Finance Lease Service Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. Although the abovementioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the independent Shareholders at the general meeting of the Company pursuant to the SSE Listing Rules.

PROPOSED PROPERTY LEASING AGREEMENT

The Company renewed and entered into the Proposed Property Leasing Agreement with Beijing Huabin, pursuant to which Beijing Huabin agreed to lease the Properties to the Company for a term of two years from 1 January 2024 to 31 December 2025.

Beijing Huabin is a subsidiary of the controlling Shareholder of the Company, i.e. China Huadian, and thus a connected person of the Company under the Hong Kong Listing Rules, and the transaction under the Proposed Property Leasing Agreement constitutes a connected transaction of the Company under the Hong Kong Listing Rules.

As the highest percentage ratio in respect of the value of the right-of-use asset to be recognized by the Company in connection with the Proposed Property Leasing Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Proposed Property Leasing Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

GENERAL MEETING

The Directors has proposed to put forward the continuing connected transactions and the proposed annual caps contemplated under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the Proposed Finance Lease Service Framework Agreement for the independent Shareholders' approval at the general meeting.

A circular containing, among others: (i) details of the continuing connected transactions under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the Proposed Finance Lease Service Framework Agreement, and the proposed annual caps thereunder; (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders on the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the proposed annual caps thereunder; and (iii) a letter of advice by Gram Capital to the Independent Board Committee and the independent Shareholders on the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the proposed annual caps thereunder will be despatched when appropriate in accordance with the execution of the agreement.

I. INTRODUCTION

References are made to (i) the announcements of the Company dated 11 September 2020, 26 October 2021 and the circulars of the Company dated 9 October 2020, 24 November 2021 in relation to, among other things, the continuing connected transactions between the Group and China Huadian under the Existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement, which will expire on 31 December 2023; (ii) the announcement of the Company dated 29 March 2023 and the circular of the Company dated 28 April 2023 in relation to, among other things, the continuing connected transactions between the Group and Huadian Financial Leasing under the Existing Finance Lease Service Framework Agreement, which will expire on 30 June 2024; and (iii) the announcement of the Company dated 7 December 2020 in relation to the connected transaction between the Company and Beijing Huabin under the Existing Property Leasing Agreement, which will expire on 31 December 2023.

As at the date of this announcement, the Company intends to enter into the following agreement:

- A. entering into the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement with China Huadian to renew the relevant continuing connected transactions under the Existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement with a term of three years from 1 January 2024 to 31 December 2026;

The abovementioned agreement has not been formally executed. The Company will make further announcement in relation to the relevant continuing connected transactions as and when appropriate pursuant to the requirements of the Hong Kong Listing Rules.

As at the date of this announcement, the Company has entered into the following agreements:

- A. renewed and entered into the Proposed Finance Lease Service Framework Agreement with Huadian Financial Leasing, and the relevant continuing connected transactions with a term from 1 January 2024 (if the date of approval by the general meeting is later than that date, effective from the date of approval by the general meeting) to 31 December 2026. On the date of the commencement of the agreement period, the Existing Finance Lease Service Framework Agreement will automatically terminate; and
- B. renewed and entered into the Proposed Property Leasing Agreement with Beijing Huabin, pursuant to which Beijing Huabin agreed to lease the Properties to the Company for a term of two years from 1 January 2024 to 31 December 2025.

II. PROPOSED PURCHASE (SUPPLY) OF FUEL, EQUIPMENTS AND SERVICES FRAMEWORK AGREEMENT

1. Major Terms

The major terms of the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement intended to be executed are set out below:

Parties: the Company; and China Huadian

Term: Three years commencing from 1 January 2024 and expiring on 31 December 2026

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

- (1) supply of fuel by China Huadian to the Group;
- (2) provision of engineering equipment (including but not limited to transducers, recycled water and desulphurisation systems), systems, products, engineering and construction contracting projects and environmental protection system renovation projects by China Huadian to the Group;
- (3) provision of supplies procurement services and miscellaneous and relevant services by China Huadian to the Group, including:
 - (i) services in relation to the production and operation of the generating units of power plants, including overhauls and maintenance services, technological services such as testing of generating units and technology renovation and other services relating to production and operation;

- (ii) financial agency service and property transaction agency services in the process of capital operations;
- (iii) CDM registration services for the development and operation of clean energy projects;
- (iv) carbon emission management and operation services;
- (v) relevant quota (such as the quota on power generation rights, the quota of “replacing small units with larger units” on shutting down small generating units) services for the operation and project development of the Group; and
- (vi) properties management services for the leasing of Huadian Tower, the office building of the headquarters of the Company (the above (i) to (vi), collectively “**Miscellaneous and Relevant Services**”).

Products and services provided by the Group to China Huadian

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

Price determination principles and internal procedures:

The consideration of the transactions under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement will be subject to mutual consent and confirmation by the parties to the agreement, as well as determinations after arm’s length negotiation with reference to the then market price and prevailing market conditions. The Company has adopted appropriate internal procedures to ensure that (i) for transactions involving the provision of the products and services by China Huadian to the Group, the terms of such transactions will be fair and reasonable and no less favourable to the Group than those provided by independent third parties; and (ii) for transactions involving the provision of the products and services by the Group to China Huadian, the terms of such transactions will be fair and reasonable and no more favourable to China Huadian than those provided to independent third parties.

Mutual supply of fuel

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

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

Regarding the internal procedure for the purchase of coal, the Group primarily conducts consolidated and large-scale coal procurement through Huadian Group Beijing Fuel Logistics Co, Ltd.* (“**Beijing Fuel Logistics**”), a subsidiary it held as to 91%. Based on fuel demand, and with reference to CCTD and other market pricing and annual long-term negotiated prices for coal purchases, Beijing Fuel Logistics determines the maximum purchase price limit with the Group’s regional companies and power plants and obtains reference prices from market coal suppliers on the fuel bidding platform. In the case that there are insufficient suppliers, the implementation of price negotiation is also adopted to finalize the specific purchase price of coal. The coal branches of Beijing Fuel Logistics will complete the online approval process for coal purchase contracts through the fuel purchase information management system based on the coal purchase prices determined by the results of the most recent bidding. If the transaction concerned is a connected transaction, the securities management department of the Company shall also be responsible for collecting the transaction amounts and exercise supervision functions to ensure the fairness of the prices of the connected transaction.

In addition, the then market price of the sale of coal by the Group is also generally determined with reference to the local spot market price as at the time of the sales order. The local spot market price is usually determined with reference to the price for the sale of coal as set by the largest supplier of coal by production output in the relevant locality (such price is industry knowledge and a practice followed by other suppliers of coal, which the Company believes is reliable, and may be obtained through quotations for the purchase of coal as discussed above or through the network channels of the Company).

Regarding the internal procedure for the sale of coal by the Group, the safety and operation management department of the Company shall assess the sales price set by the above largest supplier of coal with reference to such factors as quality, the cost for the Company in producing or obtaining coal as well as the supply and demand of coal in the market, in order to determine the price for the sale of coal. If the transaction concerned is a connected transaction, the securities management department of the Company shall also be responsible for collecting the transaction amounts and exercise supervision functions to ensure the fairness of the prices of the connected transaction.

In terms of purchasing natural gas, the price of natural gas is currently prescribed by the Chinese government uniformly. The gas-fired power generation enterprises under the Group purchase the natural gas required for power generation at the prices stipulated by the provincial Development and Reform Commission. If the Chinese government implements relevant policies, regulations or guidelines on changing such price, the price of natural gas purchased by the Group shall be adjusted accordingly from the implementation date of such policies, regulations or guidelines.

Other products and services provided by China Huadian to the Group

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

- (1) pricing will be determined through a bidding process. The bidding process will adhere to the relevant laws and regulations including the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法》). The Company will refer to the Management Measures for Bidding of Power Production Engineering of Huadian Power International Corporation Limited*. As set out in the Management Measures for Bidding, the Company will make bid initiations setting out, among other things, the specifications and requirements (including technicality, quality and pricing) of the relevant projects of provision of services, the criteria for assessing the contractors, and the requirements for the bid price. The entire bidding process will be controlled by the leading group for the production engineering bidding, which is led by the deputy general manager in charge and consists of the safety and operation management department, the finance and assets department and the securities management department. The leading group for the production engineering bidding is the decision-making body of the company for production engineering bidding and is responsible for (i) ensuring the adherence to the procedures as set out in the Law of the PRC on Tenders and Bids; (ii) establishing the guiding principles and policies of the company's system production engineering bidding, and making decisions on major issues during the bidding; (iii) examining the rules and regulations and normative documents of the company's production engineering bidding; and (iv) examining the bidding applications, bid evaluation results and the non-bidding applications for the projects that must be tendered for various reasons; and
- (2) the bid price offered by the successful bidder under the abovementioned bidding process is subject to further arm's length negotiation between the Company and the successful bidder. Under such circumstances, the Company would make reference to the historical prices and pricing trends of the relevant services and products and ensure that the bid price offered by the successful bidder would be fair and reasonable to the Company and its Shareholders as a whole.

Services provided by the Group to China Huadian

The consideration for the provision of services by the Group to China Huadian as contemplated under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement will be determined with reference to (i) the costs incurred by the Group in providing such services; and (ii) the service fees charged by the Group to independent third parties in providing similar services.

Regarding the internal procedure for the provision of services by the Group to China Huadian, the relevant business department of the Company providing the relevant services shall propose service fees for the provision of such services with reference to the abovementioned factors. If the transaction concerned constitutes a connected transaction of the Company, the finance and assets department and the securities management department of the Company shall also review such service fees based on the same assessment criteria, with the final approval made by the deputy general manager of the Company responsible for the relevant services.

The Company's independent non-executive Directors will conduct annual reviews of the transactions under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement to ensure compliance with our internal approval procedures, the terms of the relevant agreements and the relevant listing rules.

The Company's auditors will also conduct annual reviews of the continuing connected transactions under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement.

Condition precedent: The Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement is conditional upon independent Shareholders' approval at the general meeting.

2. Historical Amounts

The actual amounts and the annual caps of the historical transactions under the Existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement for the two years ended 31 December 2022 and for the six months ended 30 June 2023 are set out below:

Transactions	For the year ended 31 December 2021		For the year ended 31 December 2022		Actual amount for the six months ended 30 June 2023	Annual cap for the year ending 31 December 2023
	Actual amount (RMB millions)	Annual cap (RMB millions)	Actual amount (RMB millions)	Annual cap (RMB millions)	(RMB millions)	(RMB millions)
Expenditure						
(a) Purchase of fuel from China Huadian	10,081	14,000	10,191	14,000	4,283	14,000
(b) Provision of engineering equipment, systems, products and engineering and construction contracting projects, environmental protection system renovation projects and Miscellaneous and Relevant Services by China	3,273	8,000	3,284	8,000	624	8,000
Revenue						
(c) Sale of fuel and relevant services to China Huadian	12,490	13,000	1,559	13,000	5,844	13,000

3. Proposed Annual Caps

The Directors propose the annual caps for the transactions contemplated under Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement for the three years ending 31 December 2026 as follows:

Transactions	Proposed annual caps for the year ending 31 December 2024 (RMB millions)	Proposed annual caps for the year ending 31 December 2025 (RMB millions)	Proposed annual caps for the year ending 31 December 2026 (RMB millions)
Expenditure			
(a) Purchase of fuel from China Huadian	18,000	18,000	18,000
(b) Provision of engineering equipments, systems, products and engineering and construction contracting projects, environmental protection system renovation projects and Miscellaneous and Relevant Services by China Huadian	8,000	8,000	8,000
Revenue			
(c) Sale of fuel and relevant services to China Huadian	13,000	13,000	13,000

In the process of estimating the annual caps for the purchase of fuel services from China Huadian for the three years ending 31 December 2026, the Company has considered the following factors:

- (i) the amount of purchases of fuel under the Existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement for the half year ended 30 June 2023 of RMB4,283 million, and the estimation that the actual transaction amount will climb close to the annual cap during the fourth quarter of 2023 due to the large amount of settlement, which is in line with the Group's previous practice that the majority of historical transaction amounts were recorded in the fourth quarter of the financial year;
- (ii) the coal price will remain in a relative high level;
- (iii) the growth of the Group's new coal-fired generating units and the increase in power generation volume, resulting in a further increase in the demand on coals; and
- (iv) considering more coal mines of China Huadian will begin commercial operation, the Group's expected increasing purchase amount of thermal coal from China Huadian with fair price to ensure the safe and stable supply attributable to China Huadian's continuously enlarged production capacity of its coal mines and strengthened supply capacity of thermal coal in the following three years.

In the process of estimating the annual caps for provision of engineering equipments, systems, products and engineering and construction contracting projects, environmental protection system renovation projects and miscellaneous and relevant services by China Huadian for the three years ending 31 December 2026, the Company has considered the following factors:

- (i) the historical transaction amounts for the three years ending 31 December 2023 as well as the expected transaction amounts; and
- (ii) the Company's estimated demand growth for engineering equipments, systems, products and engineering and construction contracting projects, environmental protection system renovation projects and miscellaneous and relevant services for the three years ending 31 December 2026.

In the process of estimating the annual caps for the sale of fuel and related services to China Huadian for the three years ending 31 December 2026, the Company has considered the following factors:

- (i) the historical transaction amounts for the three years ending 31 December 2023 as well as the expected transaction amounts; and
- (ii) China Huadian's estimated stable demand on fuel and related services for the three years ending 31 December 2026.

4. Reasons for and Benefits of Extension of the Existing Continuing Connected Transactions

The coal mines of the Group and China Huadian are in different localities in which the mutual provision of coal may reduce the overall cost for the procurement of coal. In addition, a subsidiary of the Group is primarily engaged in coal trading services, through which the Group is able to enhance its bargaining power in the process of coal procurement by way of bulk procurement and sales, and reduce the overall cost for coal procurement of the Group accordingly. The mutual provision of relevant services between China Huadian and the Group provides more efficient allocation of labour (in that the timing for the needs of the relevant services which are generally of a maintenance nature may differ). Considering the long-term relationship between the Group and China Huadian, the Company considers that it is beneficial to enter into the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement with China Huadian as such transactions have facilitated the growth of the principal business and installation capacity of the Group.

The Board (excluding the independent non-executive Directors, whose opinion on the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the proposed annual caps thereunder will be set forth in the circular by reference to the advice from Gram Capital in this regard) considers that the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement is entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The proposed annual caps for the continuing connected transactions under such agreement have been determined based on the estimated amounts of transactions involved and with reference to the historical transaction amounts, the estimated potential growth of the Group and the expected economic growth of China. The Directors (excluding the independent non-executive Directors) consider the proposed annual caps to be fair and reasonable.

5. Hong Kong Listing Rules Implications

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

It is expected that upon entering into the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement, one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions thereunder will exceed 5%, thus the transactions contemplated thereunder are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

III. PROPOSED FINANCE LEASE SERVICE FRAMEWORK AGREEMENT

1. Major Terms

The major terms of the Proposed Finance Lease Service Framework Agreement are set out below:

Date: 30 August 2023

Parties: the Company; and Huadian Financial Leasing

Term: From 1 January 2024 (if the date of approval by the general meeting is later than that date, effective from the date of approval by the general meeting) and up to 31 December 2026. On the date of the commencement of the agreement period, the Existing Finance Lease Service Framework Agreement will automatically terminate.

Transactions:

- (1) provision of direct lease services (the “**Direct Lease**”) to the Group by Huadian Financial Leasing, among which Huadian Financial Leasing will acquire equipment from supplier(s) according to the choice and requirements of the Group and then lease the equipment as leased property to the Group; the Group shall purchase the relevant equipment under each Direct Lease at a nominal consideration of RMB1 upon the expiry of the lease period of each Direct Lease; and
- (2) provision of sale and leaseback services (the “**Sale and Leaseback**”) to the Group by Huadian Financial Leasing, among which Huadian Financial Leasing will acquire equipment from the Group and then lease the same equipment back to the Group; the Group shall purchase the relevant equipment under each Sale and Leaseback at a nominal consideration of RMB1 upon the expiry of the lease period of each Sale and Leaseback.

The maximum daily balance of financing that the Group may obtain from Huadian Financial Leasing during the period of the Proposed Finance Lease Service Framework Agreement is RMB6,000 million.

Price determination principles:	<p>The consideration for the finance lease services under the Proposed Finance Lease Service Framework Agreement was determined at a rate which was (i) not higher than the finance costs for comparable finance lease services available from other financial leasing companies in the PRC; and (ii) not higher than the finance costs for similar finance lease services offered by Huadian Financial Leasing to other member companies of China Huadian.</p> <p>In respect of each specific agreement to be entered into between the relevant member(s) of the Group and Huadian Financial Leasing, the following factors will be considered in determining the principal and interest payable for the finance lease services:</p> <ol style="list-style-type: none"> (1) the value of the assets expected to be subject to finance leasing; and (2) the prevailing interest costs in the market (including but not limited to finance cost of the Group and borrowing cost of PRC banks offered to customers). <p>In practice, the consideration is subject to mutual consent and confirmation by the parties to the agreement, as well as determination after arm's length negotiation with reference to the then market price and prevailing market conditions, and on terms no less favourable than those with independent third parties.</p> <p>In addition, the Company would make reference to the historical prices and price trends of the relevant finance lease services and ensure that such price would be fair and reasonable to the Company and its Shareholders as a whole.</p>
Condition precedent:	<p>The Proposed Finance Lease Service Framework Agreement is conditional upon independent Shareholders' approval at the general meeting.</p>

2. Internal Control Measures

Before entering into any specific agreements pursuant to the Proposed Finance Lease Service Framework Agreement, the Company will follow the following procedures to ensure that the terms offered by the relevant connected persons of the Company are no less favourable than those available to or from independent third parties (as the case may be):

- (1) the relevant executives of the relevant department (such as finance and assets department) of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties before the commencement of the relevant transaction, and ensure that the terms offered by the relevant connected persons of the Company are fair and reasonable and compare the terms to those offered by independent third parties; and in case where the offers made by independent third parties are more favourable to the Company, the Company will take up those offers; and only upon the approval by relevant deputy general manager in charge of such matter, the specific agreements can be entered into;
- (2) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions for assessing whether the transactions under each specific agreement are conducted in accordance with the terms thereof;
- (3) the Company's independent non-executive Directors will conduct annual reviews of the transactions under the Proposed Finance Lease Service Framework Agreement to ensure compliance with our internal approval procedures, the terms of the relevant agreements and the relevant listing rules; and
- (4) the Company's auditors will also conduct annual reviews of the continuing connected transactions under the Proposed Finance Lease Service Framework Agreement.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of each specific agreement to be entered into pursuant to the Proposed Finance Lease Service Framework Agreement will be on normal commercial terms, fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and its Shareholders as a whole.

3. Historical Amounts

The actual amounts and the annual caps of the historical transactions under the agreements in respect of provision of finance lease services entered into between the Group and Huadian Financial Leasing for the three years ended 30 June 2023 are set out below:

Transactions	For the year ended 30 June 2021		For the year ended 30 June 2022		For the year ended 30 June 2023	
	Actual amount (RMB millions)	Annual cap (RMB millions)	Actual amount (RMB millions)	Annual cap (RMB millions)	Actual amount (RMB millions)	Annual cap (RMB millions)
Direct Lease	587.09	1,500	309.63	1,500	297.90	1,500
Sale and Leaseback	500	500	350	500	150	500

4. Proposed Annual Caps

For the purpose of the Hong Kong Listing Rules, the Direct Lease involves “acquisition”, while the Sale and Leaseback constitutes “disposal”. The Directors propose the annual caps for each of the Direct Lease and the Sale and Leaseback under the Proposed Finance Lease Service Framework Agreement for the three years ending 31 December 2026 as follows:

Transactions	Proposed annual cap for the year ending 31 December 2024 (RMB millions)	Proposed annual cap for the year ending 31 December 2025 (RMB millions)	Proposed annual cap for the year ending 31 December 2026 (RMB millions)
Direct Lease	1,500	1,500	1,500
Sale and Leaseback	500	500	500

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

In determining the proposed annual caps for the Direct Lease, the Company has taken into account the total value of right-of-use assets in connection with our expected new Direct Leases for the agreement period. It is expected that the Group's capital needs for the Direct Lease for the agreement period are mainly from the coal-fired power generation and gas-fired power generation projects under construction, which mainly include the coal-fired power generation projects in Guangdong and the coal-fired power generation and gas-fired power generation projects in Shandong. With the capital needs of these projects taken into account, the Company had calculated the total value of right-of-use assets and set the annual caps as RMB1,500 million, which will be able to ensure that the Proposed Finance Lease Service Framework Agreement will provide sufficient funds for the financing of the projects of the Group.

The two concepts of "maximum daily balance" and "total value of right-of-use assets" are generally irrelevant, as the "maximum daily balance" is calculated in terms of the accumulative balance of all ongoing financial leasing by the Group from Huadian Financial Leasing as required by, and for the purpose of complying with, the applicable regulatory requirements under the SSE Listing Rules, while the "total value of right-of-use assets" is calculated and set as the annual cap for the Direct Lease under the Proposed Financial Lease Service Framework Agreement pursuant to the Hong Kong Listing Rules.

In accordance with the requirements under the SSE Listing Rules, the Company's maximum daily balance has been set based on the latest financing balance and the expected capital needs for the agreement period, including: (i) the maximum daily balance of financing by the Group from Huadian Financial Leasing as at the end of 2021 and 2022 is RMB788 million and RMB956 million, respectively; (ii) the expected capital needs of the Group's major project companies for the agreement period are mainly from the existing coal-fired power generation and gas-fired power generation projects; and (iii) the Company needs to have some buffer space for the financing for new Direct Lease and Sale and Leaseback projects that may emerge during the agreement period. Setting the maximum daily balance at RMB6,000 million will ensure that the Group's existing and new projects will receive sufficient financing to meet the Group's needs for development.

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

5. Reasons for and Benefits of Renewing and Entering into the Proposed Finance Lease Service Framework Agreement

As the fiscal year in Mainland China starts from 1 January to 31 December of each year, considering the factors such as the convenience of cap control and the accuracy of statistics, it is of the benefit of the Company's operation management to align the agreement period of the Proposed Finance Lease Service Framework Agreement with the fiscal year in Mainland China.

The Finance Leases contemplated under the Proposed Finance Lease Service Framework Agreement are expected to reduce the Company's finance costs, improve its capital utilization rate and thereby promote its business development. Additionally, the Finance Leases can provide stable, reliable and low-cost financial support for the Group's power generation projects and lay a solid foundation for the Group's future daily operations.

The Board (including the independent non-executive Directors) is of the view that the Proposed Finance Lease Service Framework Agreement is entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The proposed annual caps for the continuing connected transactions under the Proposed Finance Lease Service Framework Agreement have been determined based on the estimated amount of transactions involved and with reference to the historical transaction amounts, the estimated potential growth of the Group and the expected economic growth of China. The Directors consider the proposed annual caps to be fair and reasonable.

6. Hong Kong Listing Rules Implications

Huadian Financial Leasing is a subsidiary of the controlling Shareholder of the Company, i.e. China Huadian, and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions (i.e. the Finance Leases) under the Proposed Finance Lease Service Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the transactions under the Proposed Finance Lease Service Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Although the abovementioned agreement and the transactions contemplated thereunder are exempt from the independent Shareholders' approval requirement under the Hong Kong Listing Rules, such transactions are subject to the approval by the independent Shareholders at the general meeting of the Company pursuant to the SSE Listing Rules.

IV. PROPOSED PROPERTY LEASING AGREEMENT

1. Major Terms

The major terms of the Proposed Property Leasing Agreement are set out below:

Date:	30 August 2023
Parties:	The Company as the lessee; and Beijing Huabin as the lessor
Term:	Two years commencing from 1 January 2024 and expiring on 31 December 2025
Properties:	15/F and 16/F, Building B, Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC and certain other supporting facilities. The gross floor area amounted to 10,620 sq. m.
Purpose of the Properties:	For office usage
Rental:	The unit area rental is RMB12.50/sq. m/day. The annual rental during the term is RMB48,453,750.00 and the total rental during the term is RMB96,907,500.00. The unit area rental is determined with reference to the current rental rate of certain properties with the same level and similar conditions in Beijing Xidan and its peripheral areas as well as the historical rental and shall not be higher than the rental rate charged to other members of China Huadian by Beijing Huabin in respect of the lease of properties of Huadian Tower.
Payment:	The rental shall be paid semiannually, the sum of each payment being RMB24,226,875.00. Rental for the period from 1 January 2024 to 30 June 2024 shall be paid within 5 working days after the contract becoming effective and the Company receiving the invoice specifically used for value-added tax equivalent to the rental amount; the rental for the remaining lease period shall be paid as follows: the rental for the first half year shall be paid before 5 February of each year and the rental for the second half year shall be paid before 5 August of each year.

2. Reasons for and Benefits of Renewing and Entering into the Proposed Property Leasing Agreement

Considering the long-term relationship between the Group and Beijing Huabin, the Company considers that it is beneficial to enter into the Proposed Property Leasing Agreement as such transaction has provided the Group a good working environment and will facilitate the operation of the Group's businesses.

The Board (including the independent non-executive Directors) considers that the Proposed Property Leasing Agreement is entered into (i) with terms no less favourable than those provided by independent third parties and on normal commercial terms; and (ii) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3. Hong Kong Listing Rules Implications

Beijing Huabin is a subsidiary of the controlling Shareholder of the Company, i.e. China Huadian, and thus a connected person of the Company under the Hong Kong Listing Rules. The transaction under the Proposed Property Leasing Agreement constitutes a connected transaction of the Company under the Hong Kong Listing Rules.

Pursuant to IFRS 16, the Properties leased under the Proposed Property Leasing Agreement will be recognized as right-of-use assets with the aggregate consideration of approximately RMB88.78 million, and the transaction contemplated under the Proposed Property Leasing Agreement will be recognized as the acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rental). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Proposed Property Leasing Agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognize (i) depreciation charge over the life of the right-of-use asset; and (ii) interest expenses amortised from the lease liability over the lease term.

As the highest percentage ratio in respect of the value of the right-of-use asset to be recognized by the Company in connection with the Proposed Property Leasing Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Proposed Property Leasing Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

V. INFORMATION ON THE PARTIES

Information relating to the Group

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

Information relating to China Huadian

As at the date of this announcement, China Huadian, the controlling Shareholder of the Company, directly and indirectly holds approximately 45.17% of the total issued share capital of the Company. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council.

Information relating to Huadian Financial Leasing

Huadian Financial Leasing is a financial leasing company established with the approval by Tianjin Commission of Commerce in the PRC. Huadian Financial Leasing may provide direct lease, sublease, sale and leaseback, leveraged lease, trust lease, joint lease and different types of finance lease services to China Huadian and its member companies. Huadian Financial Leasing is a subsidiary of China Huadian, and its equity interest is indirectly owned as to 55.01% by China Huadian as at the date of this announcement.

Information relating to the Beijing Huabin

Beijing Huabin is principally engaged in the real estate development in Beijing. Beijing Huabin is a subsidiary of China Huadian, and its equity interest is indirectly owned as to 53.69% by China Huadian as at the date of this announcement.

VI. BOARD

The continuing connected transactions and the proposed annual caps contemplated under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the Proposed Finance Lease Service Framework Agreement, and the connected transaction contemplated under the Proposed Property Leasing Agreement (collectively the “**Transactions**”) have been considered and approved at the second meeting of the tenth session of the Board. Mr. Dai Jun, Mr. Zhang Zhiqiang, Mr. Li Qiangde and Ms. Cao Min, Directors of the Company, currently hold positions in China Huadian, thus have abstained from voting on the resolutions regarding the Transactions. Save as disclosed above, no other Directors have any material interest in the Transactions and therefore no other Director have abstained from voting on such Board resolutions.

Upon the consideration and approval of the Board, the Proposed Finance Lease Service Framework Agreement and the Proposed Property Leasing Agreement have been executed on the same day; the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement has not been formally executed, and the Company will make further announcement in relation to the relevant continuing connected transactions as and when appropriate pursuant to the requirements of the Hong Kong Listing Rules.

VII. GENERAL MEETING

The Directors has proposed to put forward the continuing connected transactions and the proposed annual caps contemplated under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the Proposed Finance Lease Service Framework Agreement for the independent Shareholders' approval at the general meeting.

China Huadian, which holds 4,534,199,224 issued A shares of the Company, representing approximately 44.33% of the total issued share capital of the Company, and China Huadian Hong Kong Company Limited, its wholly-owned subsidiary, which holds 85,862,000 issued H shares of the Company, representing approximately 0.84% of the total issued share capital of the Company, will abstain from voting for approving (i) the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the proposed annual caps thereunder; and (ii) the Proposed Finance Lease Service Framework Agreement and the proposed annual caps thereunder.

The Independent Board Committee has been established pursuant to the Hong Kong Listing Rules to advise the independent Shareholders on the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the proposed annual caps thereunder. The Company has also appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this regard in accordance with Rule 14A.39 of the Hong Kong Listing Rules.

A circular containing, among others: (i) details of the continuing connected transactions under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the Proposed Finance Lease Service Framework Agreement, and the proposed annual caps thereunder; (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders on the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the proposed annual caps thereunder; and (iii) a letter of advice by Gram Capital to the Independent Board Committee and the independent Shareholders on the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the proposed annual caps thereunder will be despatched when appropriate in accordance with the execution of the agreement.

VIII. DEFINITIONS

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

“Beijing Huabin”	Beijing Huabin Investment Company Limited* (北京華濱投資有限公司), a limited liability company incorporated in the PRC;
“Board”	the board of directors of the Company;
“China Huadian”	China Huadian Corporation Limited* (中國華電集團有限公司), a wholly PRC state-owned enterprise, and the controlling Shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries as well as the companies whose 30% or more equity interests are directly or indirectly held by China Huadian;
“Company”	Huadian Power International Corporation Limited* (華電國際電力股份有限公司), a Sino-foreign investment joint stock company limited by shares incorporated in the PRC, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“controlling Shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Directors”	the directors of the Company;
“Existing Finance Lease Service Framework Agreement”	the finance lease service framework agreement (from 1 July 2023 to 30 June 2024) entered into between Huadian Financial Leasing and the Company on 29 March 2023 in respect of the Finance Leases, the principal terms of which have been disclosed in the announcement of the Company dated 29 March 2023 and its circular dated 28 April 2023;
“Existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement”	the fuel, equipments and services purchase (supply) framework agreement entered into between China Huadian and the Company on 11 September 2020 in relation to the mutual supply of fuel and provision of products and services between China Huadian and the Group, the principal terms of which have been disclosed in the announcements of the Company dated 11 September 2020, 26 October 2021 and its circulars dated 9 October 2020, 24 November 2021;

“Existing Property Leasing Agreement”	the property leasing agreement entered into between Beijing Huabin and the Company on 7 December 2020 in relation to the lease of the Properties by Beijing Huabin to the Company, the principal terms of which have been disclosed in the announcement of the Company dated 7 December 2020;
“Finance Leases”	the finance lease services provided by Huadian Financial Leasing to members of the Group pursuant to the Existing Finance Lease Service Framework Agreement and/or the Proposed Finance Lease Service Framework Agreement;
“General Meeting”	the general meeting of the Company to be convened to consider and approve, among others, the continuing connected transactions and proposed annual caps under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and the Proposed Finance Lease Service Framework Agreement;
“Group”	the Company and its subsidiaries as at the date of this announcement;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Huadian Financial Leasing”	Huadian Financial Leasing Company Limited* (華電融資租賃有限公司), a subsidiary of China Huadian as at the date of this announcement;
“Huadian Tower”	China Huadian Tower* (中國華電大廈), an office building located at No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC, which is wholly-owned by Beijing Huabin;
“IFRS”	International Financial Reporting Standard(s) issued by the International Accounting Standards Board from time to time;
“Independent Board Committee”	the independent committee of the Board, comprising independent non-executive Directors, namely Mr. Feng Zhenping, Mr. Li Xingchun, Mr. Wang Yuesheng and Ms. Shen Ling, appointed to advise the independent Shareholders on the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement and related matters pursuant to the requirements of the Hong Kong Listing Rules;

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and has been appointed as the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the transactions contemplated under the Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement;
“Miscellaneous and Relevant Services”	has the meaning ascribed to it under section II above;
“PRC”	the People’s Republic of China;
“Properties”	the properties located at 15/F and 16/F, Building B, Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC;
“Proposed Finance Lease Service Framework Agreement”	the finance lease framework service agreement renewed and entered into between Huadian Financial Leasing and the Company on 30 August 2023 in respect of the Finance Leases;
“Proposed Purchase (Supply) of Fuel, Equipment and Services Framework Agreement”	the purchase (supply) of fuel, equipment and services framework agreement intended to be renewed and entered into between China Huadian and the Company in relation to the mutual supply of fuel and provision of products and services between China Huadian and the Group;
“Proposed Property Leasing Agreement”	the Huadian Tower Building B property leasing agreement renewed and entered into between Beijing Huabin and the Company on 30 August 2023 in relation to the lease of the Properties by Beijing Huabin to the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	share(s) with a par value of RMB1.00 each in the share capital of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;

“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange;
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company; and
“%”	per cent.

By order of the Board
Huadian Power International Corporation Limited*
Qin Jiehai
Secretary to the Board

As at the date of this announcement, the Board comprises:

Dai Jun (Chairman, Executive Director), Zhao Bing (Vice Chairman, Non-executive Director), Chen Bin (Executive Director), Zhang Zhiqiang (Non-executive Director), Li Qiangde (Non-executive Director), Cao Min (Non-executive Director), Wang Xiaobo (Non-executive Director), Li Guoming (Executive Director), Feng Zhenping (Independent Non-executive Director), Li Xingchun (Independent Non-executive Director), Wang Yuesheng (Independent Non-executive Director) and Shen Ling (Independent Non-executive Director).

Beijing, the PRC
30 August 2023

* *For identification purpose only*