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**華能國際電力股份有限公司**

**HUANENG POWER INTERNATIONAL, INC.**

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

**(Stock Code: 902)**

## **CONTINUING CONNECTED TRANSACTIONS**

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



**Gram Capital Limited**

**嘉林資本有限公司**

On 10 October 2023, the Company entered into the Huaneng Group Framework Agreement with Huaneng Group, its ultimate controlling shareholder, for a term commencing on 1 January 2024 and expiring on 31 December 2024. Pursuant to the Huaneng Group Framework Agreement, the Company will conduct (among other things) the following transactions with Huaneng Group and its subsidiaries and associates: (1) purchase of ancillary equipment and parts; (2) purchase of fuel and transportation services; (3) leasing of facilities, land and office spaces; (4) accepting the technical services, engineering contracting services and other services; (5) provision of entrusted sale and related services to Huaneng Group and its subsidiaries and associates; (6) accept the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates; (7) sale of products and related services; (8) purchase of heat products and related services; (9) sale of heat products and related services; (10) purchase of carbon emission reduction resources and related services; (11) sale of carbon emission reduction resources and related services; and (12) borrowing trust loans and accepting loans. Such transactions will be conducted on an on-going basis and constitute continuing connected transactions under the Hong Kong Listing Rules.

Among those 12 types of transactions,

- (a) since the transaction scale in relation to the purchase of fuel and transportation services and the accepting technical services, engineering contracting services and other services (i.e. types (2) and (4)) exceeds 5% of the applicable percentage ratios as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, such transaction shall be subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules and the requirement to obtain approval from the Independent Shareholders;

- (b) the transaction scale of each of type (1), type (3), types (5) to (11) transactions does not exceed 5% of the applicable percentage ratios as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, thus such transactions shall only be subject to the reporting, annual review and announcement requirements under Rules 14A.55 to 14A.59 and Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules, but are exempt from the Independent Shareholders' approval requirement; and
- (c) as regards the transactions of borrowing trust loans and accepting loans (i.e. type (12)), pursuant to Rule 14A.90 (which relates to financial assistance) of the Hong Kong Listing Rules, those transactions are exempt from reporting, announcement and the Independent Shareholders' approval requirements.

### **EXTRAORDINARY GENERAL MEETING**

The Company proposes to convene an extraordinary general meeting in December 2023 to seek approval from Independent Shareholders on (among others) the conduct of the continuing connected transactions (including the relevant proposed caps) contemplated under the Huaneng Group Framework Agreement.

To comply with the requirements of the Hong Kong Listing Rules, the Independent Board Committee of the Company will advise the Independent Shareholders in connection with the transaction regarding purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement and has appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders regarding the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement.

The Company will despatch a circular containing, among others, further details of the continuing connected transactions for the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement, a letter from the Independent Board Committee and the opinion of Gram Capital to the shareholders within 15 business days after publication of this announcement.

## **I. RELATIONSHIP BETWEEN THE COMPANY AND THE HUANENG GROUP**

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

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

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

Under Chapter 14A of the Hong Kong Listing Rules, Huaneng Group is a connected person of the Company while the transactions between the Company and Huaneng Group (including its subsidiaries and associates) constitute connected transactions of the Company, and are subject to the relevant disclosure and/or Independent Shareholders' approval requirements as stipulated in the Hong Kong Listing Rules.

## **II. HUANENG GROUP FRAMEWORK AGREEMENT**

The Company entered into the 2023 Huaneng Group Framework Agreement on 25 October 2022 for the purpose of governing the conduct of certain continuing connected transactions between the Company and its subsidiaries and Huaneng Group (and its subsidiaries and associates) in 2023. The relevant agreement will expire on 31 December 2023. In order to continue the relevant transactions, the Company entered into the Huaneng Group Framework Agreement with Huaneng Group on 10 October 2023 for a term commencing on 1 January 2024 and expiring on 31 December 2024.

Pursuant to the Huaneng Group Framework Agreement, the Company and its subsidiaries will conduct the following transactions with Huaneng Group and its subsidiaries and associates on an on-going basis:

### **(1) Purchase of ancillary equipment and parts**

Due to operational needs, the Company and its subsidiaries have to purchase ancillary equipment and parts which include mainly the raw materials and ancillary equipment and other installation and products relevant to the production operation for the infrastructure construction works for power plants. Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the purchase of ancillary equipment and

parts in 2023 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the annual cap of such transactions for 2023 was set at RMB2.1 billion. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount (unaudited) in respect of the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates was approximately RMB217 million. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2023. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the corresponding adjustments made to the transactions based on the Company's actual operating conditions and market changes, and at the same time relevant projects are seasonal and some transactions are expected to occur in the fourth quarter of 2023.

For 2024, the aggregate transaction amount with respect to the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates under the Huaneng Group Framework Agreement is estimated not to exceed RMB2.1 billion. The estimate of such cap is based on the procurement requirement of ancillary equipment in environmental protection technology transformation projects. The estimate also takes into consideration the overall business scale and operation of the power plants of the Company and its subsidiaries, a reasonable expectation of the Company and its subsidiaries as to the development of the relevant power plants, and also taking into account the benefit of offering favourable prices on bulk purchases by Huaneng Group and its subsidiaries and associates at the same time.

The competitive advantage of Huaneng Group and its subsidiaries and associates in the supply of ancillary equipment and parts is that they are able to offer more favourable prices for bulk purchase of ancillary equipment and parts. Taking into consideration the ability of Huaneng Group and its subsidiaries and associates to offer more favourable prices for ancillary equipment and parts, and owing to their close relationships with the Company and its subsidiaries, Huaneng Group and its subsidiaries and associates are able to provide the Company with the ancillary equipment and parts in a timely and reliable manner, thereby minimising the management and operational costs of the Company.

Pursuant to the Huaneng Group Framework Agreement, the terms and the prices with respect to the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates are negotiated at arm's length terms, taking into account the types and quantity of ancillary equipment and parts to be purchased according to the Company's procurement policy, details of which are set out in paragraph headed "IV. MEASURES TO SAFEGUARD THE INTEREST OF THE INDEPENDENT SHAREHOLDERS" to this announcement. In any event at the terms and prices no less favorable than those offered to the Company and its subsidiaries by independent third parties for the same or similar type of ancillary equipment and parts.

In addition, the payment of such purchases will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to such framework agreement.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rules 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB2.1 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

## **(2) Purchase of fuel and transportation services**

The Company's main fuel for power generation is coal. Pursuant to the Huaneng Group Framework Agreement, the Company and its subsidiaries will purchase fuel and coal transportation services from Huaneng Group and its subsidiaries and associates at prices and charges calculated by reference to RMB/ton and the actual weight of carriage, with arm's length terms taking into account the then market conditions, and in any event the terms of the purchases of fuel and the transportation services shall be no less favourable than those offered by independent third parties to the Company and its subsidiaries for the same or similar type of fuel supply or transportation services.

Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the purchase of fuel and transportation services in 2023 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the cap of the aggregate transaction amount for 2023 was RMB120.9 billion. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount (unaudited) for purchase of fuel and transportation services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates was approximately RMB54.184 billion. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2023. The substantial difference between the estimated transaction amount and the actual transaction amount was mainly attributable to the relatively significant changes in the coal market and transportation market conditions than envisaged and the Company has made corresponding adjustments to relevant transactions.

Pursuant to the Huaneng Group Framework Agreement, the cap of the transaction amount for purchase of fuel and transportation services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates for 2024 is estimated to be RMB115

billion. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement. The annual cap for 2024 is slightly less than the existing annual cap for the year ending 31 December 2023 considering the market fluctuation of coal price and decrease to the quality of coal purchase. The annual cap for 2024 is set based on the estimated quantity of raw coal to be purchased from Huaneng Group and its subsidiaries and associates and the estimated purchase price of raw coal for 2024, the current overall business scale and operation of the Company and the power plants of its subsidiaries, and the reasonable expectation of those power plants by the Company and its subsidiaries and market trend, and the capability in offering relatively competitive prices on bulk purchase of fuel and transportation by Huaneng Group and its subsidiaries and associates at the same time.

The competitive advantage of Huaneng Group and its subsidiaries and associates in the supply of fuel and transportation services is that they can offer more favourable prices for bulk purchase of fuel and transportation services. Taking into consideration the ability of Huaneng Group and its subsidiaries and associates to offer more favourable prices for purchases of fuel and transportation services, and owing to their close relationships with the Company and its subsidiaries, Huaneng Group and its subsidiaries and associates are able to provide the Company and its subsidiaries with fuel and transportation services in a timely and reliable manner, thereby minimising the management and operational costs of the Company and its subsidiaries.

As the applicable percentage ratios relating to the transaction scale for the purchase of fuel and transportation services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5%, such transactions shall be subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules and the requirement to obtain approval from the Independent Shareholders. The Company has conducted a detailed survey in respect of its short-term and long-term operational demand for coal and coal transportation services. The Company is of the view that before the convening of the extraordinary general meeting, such transactions will not (and the Company will through its internal control system ensure that such transactions will not) exceed the relevant thresholds that require Independent Shareholders' approval under the Hong Kong Listing Rules.

### **(3) Leasing of facilities, land and office spaces**

For operational needs, the Company and its subsidiaries have to lease facilities, land and office spaces (mainly including power transmission and transformation assets, vessels, land and office spaces for power plants, etc.) from Huaneng Group and its subsidiaries and associates. Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the leasing of facilities, land and office spaces in 2023 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the cap of the

relevant transaction amount for 2023 was set at RMB300 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount (unaudited) which has already been paid by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates for leasing of facilities, land and office spaces was approximately RMB180 million. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the leasing of facilities, land and office spaces by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2024 is estimated not to exceed RMB300 million. The estimate of such cap amount is based on the existing overall business scale and operation of the power plants of the Company and its subsidiaries, the anticipated development and growth of such power plants as deemed reasonable by the Company and its subsidiaries, taking into account at the same time the benefit of favourable prices offered by Huaneng Group and its subsidiaries and associates for leasing of facilities, land and office spaces.

In respect of leasing of facilities, land and office spaces, the competitive advantage of Huaneng Group and its subsidiaries and its associates is their ability to offer more favourable prices for leasing of facilities, land and office spaces. Taking into consideration the ability of Huaneng Group and its subsidiaries and associate in offering more favourable prices for leasing of facilities, land and office spaces, and owing to their close relationships with the Company and its subsidiaries, Huaneng Group and its subsidiaries and associates are able to provide the Company with the leased facilities, land and office spaces in a timely and reliable manner, thereby minimising the management and operational costs of the Company and its subsidiaries.

Pursuant to the Huaneng Group Framework Agreement, the terms and the prices with respect to the leasing of facilities, land and office spaces to the Company and its subsidiaries by Huaneng Group and its subsidiaries and associates are negotiated at arm's length terms, taking into account the then prevailing market conditions; but in any event at the leasing terms and prices no less favourable than those offered to the Company and its subsidiaries by independent third parties for the same or similar types of leased facilities, land and office spaces. In addition, the payment will be settled in cash, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into in future pursuant to the framework agreement.

As the term relating to the leasing of facilities, land and office spaces contemplated under the Huaneng Group Framework Agreement is 12 months or less, the Company will not recognize right of-use assets and lease liabilities for such short term lease under International Financial Reporting Standard 16 (Leases).

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of conducting annual reviews of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB300 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

**(4) Accepting the technical services, engineering contracting services and other services**

Accepting the technical services, engineering contracting services and other services between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates mainly includes the provision of fuel management service relevant to power plants, maintenance services for power plants' monitoring systems, real-time consolidation of project data, trial run of generating units, supervision of manufacture of facilities, contracting of construction works in progress and insurance services by Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries. Pursuant to the 2023 Huaneng Group Framework Agreement, the cap for the aggregate transaction amount with respect to the purchase of technical services, engineering contracting services and other services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates for 2023 was set at RMB9.5 billion. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount (unaudited) between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates was approximately RMB1.134 billion. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2023. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the adjustments made based on the Company's actual overall business scale and operating conditions as well as market changes, of which the engineering contracting projects were procured through public biddings and the connected persons did not manage to win the bids on some infrastructure projects.

Pursuant to the Huaneng Group Framework Agreement the transaction amount with respect to accepting the technical services, engineering contracting services and other services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2024 is estimated not to exceed RMB8.4 billion. The estimate of such cap is based on the following: (i) the Company actively responds to the goal of "Carbon peaking and carbon neutrality" and accelerates the green transformation. In 2024, the Company will continue to increase investment in new energy projects, and it is estimated that 10GW of new energy installed capacity will be added. Some new energy infrastructure projects will accept engineering contracting services from Huaneng Group and its subsidiaries and



associates, and the corresponding transaction amount is expected to be RMB2.3 billion; and (ii) the remaining annual cap in 2024 (namely, RMB6.1 billion) is for receiving technical services and other services. The estimate of such cap is based on the existing overall business scale and operation of the power plants of the Company and its subsidiaries as well as the anticipated development of such power plants as deemed reasonable by the Company and its subsidiaries, having taken into account the benefit of favourable prices for the purchase of technical services and engineering contracting services and other services offered by Huaneng Group and its subsidiaries and associates.

The competitive advantage of Huaneng Group and its subsidiaries and associates in terms of providing technical services, engineering contracting services and other services is that they can offer more favourable prices to the Company and its subsidiaries. Taking into consideration the ability of Huaneng Group and its subsidiaries and associates to offer more favourable prices for technical services, engineering contracting services and other services, and owing to their close relationships with the Company and its subsidiaries, Huaneng Group and its subsidiaries and associates are able to provide the Company and its subsidiaries with the technical services, engineering contracting services and other services in a timely and reliable manner, thereby minimizing the management and operational costs of the Company and its subsidiaries. In addition, some of the subsidiaries and associates of Huaneng Group focus on researching information technology and national new energy power generation technology, as well as equipment of thermal energy in power plants, therefore can provide reliable and efficient services of information technology and project contracting, and can also provide advanced and comprehensive power station-specific technical services and project contracting services, which can lower the operational costs of the Company and its subsidiaries.

Pursuant to the Huaneng Group Framework Agreement, the terms and the prices of transactions with respect to accepting technical services, engineering contracting services and other services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates are negotiated at arm's length terms, taking into account the types of energy transactions, technical indicators and engineering related raw materials required for each of the contracts according to the Company's procurement rules, details of which are set out in paragraph headed "IV.MEASURES TO SAFEGUARD THE INTEREST OF THE INDEPENDENT SHAREHOLDERS" to this announcement. In any event at the terms and prices no less favourable than those offered to the Company and its subsidiaries by independent third parties for the same or similar types of technical services, engineering contracting services and other services. In addition, the payment of consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement.

As the applicable percentage ratios relating to the transaction scale for accepting the technical services, engineering contracting services and other services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5%, such transactions shall be subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules and the requirement to obtain approval from the Independent Shareholders. The Company has conducted a detailed survey in respect of its short-term and long-term operational demand for the technical services, engineering contracting services and other services. The Company is of the view that before the convening of the extraordinary general meeting, such transactions will not (and the Company will through its internal control system ensure that such transactions will not) exceed the relevant thresholds that require Independent Shareholders' approval under the Hong Kong Listing Rules.

**(5) Provision of entrusted sale and related services to Huaneng Group and its subsidiaries and associates**

The provision of entrusted sale of electricity and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries involves mainly Huaneng Group and its subsidiaries and associates using of power generation quota of the Company and its subsidiaries for substituted power generation. The transaction prices of substituted power generation are to be settled in two ways: (1) after using the power generation quota of the Company and its subsidiaries to generate electricity, Huaneng Group and its subsidiaries and associates will settle with the power grid company(ies) first, and then pay the prices for quota generation prices to the Company and its subsidiaries; (2) after using the power generation quota of the Company and its subsidiaries by Huaneng Group and its subsidiaries and associates to generate electricity, the Company and its subsidiaries will settle with the power grid company(ies) first and then to pay the electricity revenue after deduction of the amount of the quota usage prices to Huaneng Group and its subsidiaries and associates. In addition, the Company and its subsidiaries sell electricity to Huaneng Group and its subsidiaries and associates, or entrust Huaneng Group, its subsidiaries and associates to sell electricity to market users, and the Company and its subsidiaries will pay the corresponding service fees. Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the provision of entrusted sale of electricity and related services to Huaneng Group and its subsidiaries and associates in 2023, the cap of the aggregate transaction amount for 2023 was RMB400 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount for the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries was RMB0. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to such entrusted sale and related services between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates for 2024 is estimated to be RMB100 million. Such cap is set based on the factors such as overall business scale of the transaction parties in 2024, the quota for transfer of power generation, transaction rules, transaction volume, transaction prices, service fees, etc. and the reasonable expectation of the transactions by the Company and its subsidiaries.

In order to resolutely implement the State's power system reform, energy conservation and emission reduction strategy, and to save cost and improve efficiency, the Company and its subsidiaries will carry out substituted power generation transactions, power transactions, paid services and other businesses in areas where the Company and its subsidiaries are located. The counterparty(ies) of the transaction include connected or non-connected party(ies). On aspect of substituted power generation, power transactions, paid services, etc., the advantage of Huaneng Group and its subsidiaries and associates is that they have a relatively better co-operation relationship with the Company and its subsidiaries.

Pursuant to the Huaneng Group Framework Agreement, the terms and prices with respect to the provision of aforesaid entrusted sale and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries are to be negotiated at arm's length terms, taking into account the then prevailing market conditions, but in any event at the terms and prices no less favourable than those offered to the Company and its subsidiaries by an independent third party for the same or similar type of services. In addition, the relevant price shall be paid in cash after the performance of the contract, or according to the terms agreed in the contract signed by the relevant parties in accordance with the framework agreement in the future.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB100 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

**(6) Accept the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates**

The acceptance of the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries involves mainly the use of power generation quota of Huaneng Group and its subsidiaries and associates for substituted power generation. The transaction prices of substituted power generation are to be settled in two ways: (1) after using the power generation quota of Huaneng Group and its subsidiaries and associates to generate electricity, the Company and its subsidiaries will settle with the power grid company(ies) first, and then pay the prices for the power generation quota to Huaneng Group and its subsidiaries and associates; (2) after using the power generation quota of Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries to generate electricity, Huaneng Group and its subsidiaries and associates will settle with the power grid company(ies) first and then to pay the electricity revenue after deduction of the amount of the quota usage prices to the Company and its subsidiaries. In addition, the Company and its subsidiaries purchase electricity from Huaneng Group and its subsidiaries and associates, or accept the entrustment from Huaneng Group, its subsidiaries and associates to sell electricity to market users, and the Company and its subsidiaries will charge the corresponding service fees. Pursuant to the 2023 Huaneng Group Framework Agreement with respect to the acceptance of the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries, the cap of the aggregate transaction amount for 2023 was set at RMB300 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount for the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries was RMB0. It is estimated that by end of 2023, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the acceptance of the entrustment of the sale and related services between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates for 2024 is estimated to be RMB100 million. Such cap is set based on the factors such as overall business scale of the transaction parties in 2024, the quota for transfer of power generation, transaction rules, transaction volume, transaction prices, service fees, etc. and the reasonable expectation of the transactions by the Company and its subsidiaries.

In order to resolutely implement the State's power system reform, energy conservation and emission reduction strategy, and to save cost and improve efficiency, the Company and its subsidiaries will carry out substituted power generation transactions, power transactions, paid services and other businesses in areas where the Company and its subsidiaries are located. The counterparty(ies) of the transaction include connected or non-connected

party(ies). On aspect of substituted power generation, power transactions, paid services, etc., the advantage of Huaneng Group and its subsidiaries and associates is that they have a relatively better co-operation relationship with the Company and its subsidiaries.

Pursuant to the Huaneng Group Framework Agreement, the terms and prices with respect to the provision of aforesaid entrusted sale and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries are to be negotiated at arm's length terms, taking into account the then prevailing market conditions, but in any event at the terms and prices no less favourable than those offered to the Company and its subsidiaries by an independent third party for the same or similar type of services. In addition, the relevant price shall be paid in cash after the performance of the contract, or according to the terms agreed in the contract signed by the relevant parties in accordance with the framework agreement in the future.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB100 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

#### **(7) Sale of products and related services**

To be more cost-efficient in management, the Company's subsidiary(ies) will sell products and related services (mainly coal, provision of transportation and port services and other services) to Huaneng Group and its subsidiaries and associates. The prices and charges of coal will be calculated by reference to RMB/ton and the actual weight of carriage, with arm's length terms taking into account the then market conditions, and in any event the terms of the purchases of coal and other related products shall be no less favourable than those offered by independent third parties to the Company for the same or similar type of coal supply and other related products. Pursuant to the 2023 Huaneng Group Framework Agreement, the cap of the aggregate transaction amount with respect to the sale of products and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates for 2023 was set at RMB800 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount (unaudited) for the sale of products and related services by the Company and its subsidiaries and related services to Huaneng Group and its subsidiaries and associates was RMB152 million. It is estimated that by end of 2023, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2023. The substantial difference between the

estimated transaction amount and the actual transaction amount was primarily due to the 2023 budget includes transactions that may sell coal to connected persons under specific conditions, while such transactions have not actually occurred so far in 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the sale of products and related between the Company and Huaneng Group and its subsidiaries and associates for 2024 is estimated to be RMB1 billion. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms to be agreed by the relevant parties pursuant to the Huaneng Group Framework Agreement. Such estimate of cap amount is based on the demand of coal and transportation and relevant products of the power plants of Huaneng Group and its subsidiaries in 2024 and more favorable pricing by way of bulk purchase. In order to leverage on the advantage of scale procurement, the Company may increase the purchase volume of coal and will not exclude the possibility of re-selling part of the excess portions to power plants of Huaneng Group and its subsidiaries.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB1 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

#### **(8) Purchase of heat products and related services**

The purchase of heat products and related services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates includes the purchase of industrial steam, hot water and other thermal products produced by power plants and heating enterprises, and the entrustment to Huaneng Group and its subsidiaries and associates to sell industrial steam, hot water and other thermal products, and pay the corresponding service fees to counterparties. Pursuant to the 2023 Huaneng Group Framework Agreement, the cap of the aggregate transaction amount with respect to the purchase of heat products and related services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates for 2023 was set at RMB200 million. During the period from 1 January 2023 to 31 August 2023, the transaction amount in respect of this category by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates was RMB49 million. It is estimated that by end of 2023, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the purchase of heat and related services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2024 is estimated to be RMB200 million. The cap of the transaction amount is based on the expected need for the purchase of heat products and related services by the Company and its subsidiaries in 2024, as well as the reasonable expectations of the Company and its subsidiaries for the development of the transaction, and considering at the same time that Huaneng Group and its subsidiaries and associates can reduce the management and operating costs of the Company and its subsidiaries, thereby improving the Company's operating results.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB200 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

**(9) Sale of heat products and related services**

The Company and its subsidiaries sell heat products and related services to Huaneng Group and its subsidiaries and associates, mainly includes the sales of industrial steam, hot water and other thermal products by the Company's power plants and heating enterprise, and the acceptance of the entrustment by Huaneng Group and its subsidiaries and associates to sell industrial steam, hot water and other thermal products on their behalf, and charge counterparties for the service fees.

Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the sale of heat products and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates, the cap of the aggregate transaction amount for 2023 was set at RMB400 million. During the period from 1 January 2023 to 31 August 2023, the transaction amount (unaudited) in respect of this category by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates was RMB50 million. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount for 2023.

According to the Huaneng Group Framework Agreement, the transaction amount with respect to the sale of heat and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2024 is estimated to be RMB300 million. The cap of the transaction amount is based on the expected volume of purchase of

heat products and related services by the Huaneng Group and its subsidiaries and associates from the Company and its subsidiaries in 2024, as well as the reasonable expectations of the Company and its subsidiaries for the development of the transaction, and considering at the same time that Huaneng Group and its subsidiaries and related parties can reduce the management and operating costs of the Company and its subsidiaries, thereby improving the Company's operating results.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB300 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

#### **(10) Purchase of carbon emission reduction resources and related services**

The purchase of carbon emission reduction resources and related services by the Company and its subsidiaries includes carbon allowances, State-Certified Voluntary Emission Reduction (CCER), green certificates and carbon emission reduction related services from Huaneng Group and its subsidiaries and associates.

Pursuant to the 2023 Huaneng Group Framework Agreement regarding the purchase of carbon emission reduction resources and related services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2023, the annual cap of the relevant transaction amount in 2023 is RMB900 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount for the purchase of carbon emission reduction resources and related services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries was RMB0. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the requirement of the relevant State's documents, the second performance cycle of the State's carbon quotas will be completed in the fourth quarter of 2023. The Company is currently carrying out work relating to carbon quota compliance, and its expected that the actual amount to be incurred will not exceed the estimated cap for 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the purchase of carbon emission reduction resources and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2024 is estimated to be RMB1.1 billion. The cap of the transaction amount is based on the



shortage of carbon emission reduction resources of the Company and its subsidiaries in 2024, and considering that Huaneng Group and its subsidiaries and related parties can reduce the management and operating costs of the Company and its subsidiaries at the same time, thereby improving the Company's operating results. The reason for increase of the estimated amount in 2024 is that the transactions are estimated and adjusted based on the Company's actual operating conditions, and the tightening of free carbon quota allocation year by year.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB1.1 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

#### **(11) Sale of carbon emission reduction resources and related services**

The sale of carbon emission reduction resources and related services by the Company and its subsidiaries includes the sale of carbon allowances, State-Certified Voluntary Emission Reduction (CCER), green certificates and carbon emission reduction related services to Huaneng Group and its subsidiaries and associates.

Pursuant to the 2023 Huaneng Group Framework Agreement regarding the sale of carbon emission reduction resources and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2023, the annual cap of the relevant transaction amount in 2023 is RMB500 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount for the sale of carbon emission reduction resources and related services to Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries was RMB61 million. It is estimated that by end of 2023, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the sale of carbon emission reduction resources and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2024 is estimated to be RMB800 million. The cap of the transaction amount is based on the sufficiency of carbon emission reduction resources of the Company and its subsidiaries in 2024 and the reasonable expectation for the development of the transaction and considering that Huaneng Group and its subsidiaries and related parties can reduce the

management and operating costs of the Company and its subsidiaries at the same time, thereby improving the Company's operating results. The reason for increase of the estimated amount in 2024 is that the transactions are estimated and adjusted based on the Company's actual operating conditions, and the estimated increase in carbon trading prices.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB800 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

## **(12) Borrowing trust loans and accepting loans**

Borrowing trust loans is direct borrowing of trust loans by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates without the involvement of any agent bank as an intermediary, whereas accepting loans is primarily organized between Company and its subsidiaries and Huaneng Group and its subsidiaries and associates with a trustee or agent bank acting as an intermediary (entrusted loan), or through the mode of direct transaction. The Huaneng Group Framework Agreement has also included (i) borrowing of trust loans by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates; and (ii) the provision of loans from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries. For reasons as set out in the paragraph below, the trust loans and the loans under the Huaneng Group Framework Agreement are exempted the reporting, announcement and Independent Shareholders' requirements under the Hong Kong Listing Rules. The setting of the cap of the transaction amount (i.e. interest arising from borrowing of the relevant trust loans) of the trust loans to be borrowed and the transaction amount (i.e. the amount of the loans accepted) of the loans received is to comply with the disclosure requirements under the SSE Listing Rules. The cap of the amount of interest arising from the transactions (i.e. interest arising from borrowing of the relevant trust loans) of the trust loans borrowed for 2024 is expected to be RMB800 million and the transaction amount (i.e. the amount of the loans accepted) of the loans received for 2024 is expected to be RMB20 billion or its equivalent in foreign currency (maximum daily balance of the loan).

Given that the trust loans and loans are obtained by the Company and its subsidiaries from or through Huaneng Group and its subsidiaries and associates on normal commercial terms which are comparable to or more favourable than those available from independent third

parties for similar services in the PRC and that no security is granted over the assets of the Company and its subsidiaries in respect of such services, the trust loans and loans contemplated under the Huaneng Group Framework Agreement are exempted from all the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 (which relates to financial assistance) of the Hong Kong Listing Rules. The Company therefore only makes disclosure in light of the Company's announcement disclosed on the Shanghai Stock Exchange.

### **III. FAIRNESS OF THE CONTINUING CONNECTED TRANSACTIONS AND THEIR IMPACTS ON INDEPENDENCY OF THE COMPANY**

The Huaneng Group Framework Agreement is signed on normal commercial terms which are fair and reasonable, with the prices/fees/interests agreed and confirmed by both parties by negotiating and concluding with arm's length terms, taking into account the then prevailing market conditions, and the terms of the Huaneng Group Framework Agreement and the transactions under such agreement offered to the Company and its subsidiaries by Huaneng Group and its subsidiaries and associates are no less favourable than those available from independent third parties. The Company and its subsidiaries will sign necessary written agreements on specific transactions with Huaneng Group and its subsidiaries and associates within the range set by the above-stated framework agreement according to actual conditions, and pay and/or charge the relevant prices/fees/interests based on the agreed method set forth in the relevant agreements.

The Company will, through the Huaneng Group Framework Agreement and a series of management arrangements in accordance with the regulatory requirements, maintain its independency in decision-making, the fairness of the prices of the transactions as well as the flexibility of the Company in connected transactions so as to alleviate the independence on its controlling shareholder. Such arrangements shall include without limitation the Company's right to make independent decisions as to the price and quantity of purchase and to access and obtain market information through various means so that the terms obtained by the Company from Huaneng Group and its subsidiaries and associates will be no less favorable than those available from independent third parties.

Based on the above, the Company is of the opinion that the Huaneng Group Framework Agreement and the continuing connected transactions thereunder are in the interests of the Company and the shareholders as a whole. Meanwhile, the Company has a complete business system and the ability to operate independently facing the market, therefore the above-stated framework agreements and the continuing connected transactions contemplated thereunder do not affect the independency of the Company.

#### IV. MEASURES TO SAFEGUARD THE INTEREST OF THE INDEPENDENT SHAREHOLDERS

Directors and senior management of the Company will monitor closely and review regularly each continuing connected transaction of the Company, and will adopt a series of risk management arrangements, and endeavour to maintain, in relation to each continuing connected transaction, the independence of the Company; the fairness of the price of the transaction; the fairness of the terms of the transaction; and the right of choice of the Company to conduct transactions with independent third parties other than Huaneng Group and its subsidiaries and associates. The relevant arrangements include:

- the continuing connected transactions contemplated under the Huaneng Group Framework Agreement are conducted on a non-exclusive basis;
- for transactions relating to the purchase of ancillary equipment and parts, the Company will proceed in accordance with the Company's procurement policy, which mainly stipulates that the Company will, from time to time, obtain quotations from large scale suppliers (excluding Huaneng Group and its subsidiaries and associates) and/or invite tenders from multiple suppliers and/or in certain circumstances make price enquiries. According to the Company's procurement policy, in addition to the offer of same or more favourable terms by the counterparty in a transaction, the Company will also consider other factors, including the corporate background of the counterparty; its reputation and reliability; its ability to conduct the transaction in accordance with the terms of the contract; and its understanding of the Company's needs, in order to maximise the Company's interest in the transaction and at the same time reduce the Company's time and costs of transaction;
- for transactions in relation to the purchase of fuel and coal transportation services,
  - (i) the Company has established a dedicated mechanism for information exchange and weekly and monthly information analysis, which mainly consists of: (i) collection of price information, such as pithead prices, listed prices at major coal production localities, inland coal transaction price indices, port price indices, domestic futures indices, global coal prices, and price indices of imported coal; and in addition, information relating to the storage at harbours, the production, transportation and sale of coal, and price indices of freights is also collected as an aid in analysing the trend of the market price. The major information collection channels of the Company include: China Coal Market website 中國煤炭市場網 (<http://www.cctd.com.cn>), China Coal Resources website 中國煤炭資源網 (<http://www.sxcoal.com>), Qinhuangdao Coal website 秦皇島煤炭網 (<http://www.cqcoal.com>) and Qinhuadao Shipping Network 秦皇島海運網 (<http://www.osc.org.cn>), etc.; (ii) the Company has also established the Qinhuangdao distribution centre, which is charged with the monitoring of the daily, weekly and monthly prices of coal based on port and water transportation and related developments; (iii) the Company's branch companies and

power plants are charged with collecting information on the market and pithead prices of their own location. In terms of pricing, the Company will issue weekly the guidance procurement price of coal for coastal power plants (based on the market information collected and generally lower than the then prevailing market price), the Company will invite at least three suppliers (including Huaneng Group and its subsidiaries and associates) to provide coal quotations within the range of the guidance procurement price as well as the price for transportation services. The Company shall invite at least three suppliers including Huaneng Group and its subsidiaries and associates to jointly provide quotation on coal within the range of the procurement guidance price. The Company will independently choose and purchase from the best offer according to the market conditions relied upon in developing the Company's procurement strategies. The Company believes that such purchaser-oriented pricing process will lead to an open and transparent market mechanism for competition of coal based on market prices;

- (ii) the "market conditions" relied upon in developing the Company's procurement strategies can principally be summarised in the following manner: (i) changes in the prices of coal; (ii) aspects on coal transportation, including status on ship transportation at port (e.g. in circumstances where the northern ports such as Qinhuangdao are stranded seriously, the Company will arrange certain coal to be imported), the status on railway transportation (e.g. substantial overhaul of Datong Qinhuangdao railway), the status on road transportation (e.g. where the northern regions are affected by seasonal rain/snow); (iii) production condition (e.g. where major cooperation partners for coal supply or regional coal enterprises experience any safety incidents which may lead to a suspension in coal production or safety checks and hence the coal mine safety inspections may affect domestic coal production or supply of coal regionally, or where the import of coal from coal production areas like Indonesia, Australia, Colombia, South Africa, etc. are affected by incidents of natural disasters, storm, typhoon, etc.); (iv) status on level of inventory (including changes in the inventory at major ports and where power enterprises and coal companies run low in stock; and (v) status on changes in policy. The State has promulgated a number of environmental protection policies and coal industry policies which may have an impact on the volume of coal consumption, the types and quality of coal required by power enterprises. The Company will timely follow and collect latest information on market condition for assessing and formulating the Company's procurement strategies;
- for transactions in relation to leasing of power transmission and transformation assets, the lease by the Company and its subsidiaries of such facilities from Huaneng Group and its subsidiaries and associates is based on arm's length terms. The leasing fee payable is principally to offset the outlay of the supplier's costs, interest payment, operational expenses in maintenance, etc. For transactions in relation to the leasing of land and office spaces, the Company will have regard to the then prevailing market rent for similar types of properties in the nearby locations (which is publicly available information), and/or

consult reputable local real estate agents for benchmarks of assessment. Such transactions will be reviewed by the Company's legal department in the legal aspects and approved by the contract management department;

- for transactions in relation to accepting the technical services, engineering contracting services and other services, the Company, at times when there are needs for purchasing transactions, will conduct such transactions according to the relevant procurement management rules with reference to the types of energy transactions, technical indicators and engineering related raw materials required for each of the contracts, and will from time to time obtain at least two quotations from suppliers of scale (excluding Huaneng Group and its subsidiaries and associates), and/or invite tenders from multiple suppliers and/or in certain circumstances make price enquiries in conducting such procurements. According to the Company's procurement policy, in addition to the offer of same or more favourable terms by the counterparty in a transaction, the Company will also consider other factors, including the Company's specific requirements in a transaction, the comparable advantages of the technological expertise of counterparties and the ability of counterparties to perform the contract and to provide follow-up services consequential to completion of a transaction, in order to maximise the Company's interest. As regards the provision of operation/production and related port supportive services, the prices are basically market-driven according to the prevailing market conditions. Nonetheless, the Company will conduct enquiry process by making reference to at least three other contemporaneous transactions with unrelated third parties for similar services to determine if the prices and terms offered by Huaneng Group and its subsidiaries and associates are fair and reasonable and comparable to those offered by independent third parties;
- for transactions in relation to the provision of entrusted sale services to Huaneng Group and its subsidiaries and associates, and the acceptance of provision of entrusted sale services from Huaneng Group and its subsidiaries and associates, it is formulated in tandem with the State's electricity system reform policies, substituted power transactions rules, clean energy adoption measures, etc. The transaction cap for each of the above transactions is determined independently according to the operating conditions of the generation units, operating costs, market changes, etc. of the subsidiaries of the Company in areas where they have operations. Through mutual negotiation or trading platforms, the Company will carry out purchase/sale of electricity transactions, substituted electricity transactions and the transaction services in the electricity market in accordance with the principles of fairness and impartiality, so as to realise the maximum benefit for the Company;
- for transactions in relation to sale of products, in principle, the Group Fuel Company (which is 100% owned by the Company) will only sell coal to the Company's power plants. The Company will strictly control the conduct of coal sale transactions between the Group Fuel Company and related power plants. In circumstances where there is a severe shortage in the level of inventory in the power plants, the Company will, on condition that the Company's own power plants are preserved with sufficient coal supply for operation,

sell part of the excess coal, as a temporary measure, to related power plants at prices according to the changes in market conditions. The Company will, through the information collection channels mentioned in transaction regarding purchase of fuel and coal transportation services above, with reference to the then market conditions and in conjunction with the costs for coal purchase by the Group Fuel Company, determine the then selling prices, so as to recoup the costs and, on principles of mutual benefit, to have a small profit;

- for the purchase of heat and related services and the sale of heat and related services, the transactions on sale and purchase of heat will be conducted in strict compliance with the management regulations of the Company and the internal control requirements. Meanwhile, the Company will closely monitor the changes in demand and supply in the heat market, collect and analyse the latest market information, and guide the Company to make timely adjustments to volume and price according to the operating scale of the Company and actual situation, so as to maximize the interests of the Company;
- for the purchase of carbon emission reduction resources and related services and the sale of carbon emission reduction resources and related services, the transaction cap for each of the above transactions is determined independently according to the carbon allowance surplus and carbon allowance demand of the subsidiaries of the Company in areas where they have operations, as well as the overall demand for carbon emission reduction resources in the national market. The prices will be determined according to the trend of the publicly listed prices for carbon emission allowances in the national market, and the Company shall strictly follow the relevant requirements of the State's "dual carbon targets", and to conduct the relevant business according to the rules of carbon trading, CCER trading, green certificate trading, etc., so as to realise the reduction of the Company's carbon quota compliance cost, increase the income of emission reduction resources, and realise the maximum benefit of the Company;
- for borrowing trust loans and accepting loans with Huaneng Group and its subsidiaries and associates will be considered in accordance with the Company's management regulations and internal control requirements, combined with the overall capital scale, actual business needs, changes in the capital market and funds available through financial institutions, so as to maximize the Company's interests; and
- the contract management department will strictly review contracts, the contract enforcement department will timely monitor the amount of connected transactions, and the relevant functional departments will supervise the compliance monitoring in production and operation. In addition to the annual review of the performance of specific contracts by the independent non-executive Directors and the Company's auditors, the Company's supervisors will also monitor the working arrangements involved in the Company's continuing connected transactions, and review whether the Company's transactions are fair and conducted at reasonable transaction prices.

## **V. BOARD'S CONFIRMATION**

The Board has considered and approved the Huaneng Group Framework Agreement and the transactions and the estimates of relevant caps of the transactions under such agreement. Pursuant to the SSE Listing Rules and Rule 14A.68(8) of the Hong Kong Listing Rules, Messrs. Wang Kui, Huang Jian, Lu Fei and Teng Yu, all being Directors of the Board being regarded as having a material interest in the continuing connected transactions given their management positions in Huaneng Group or its associate, abstained from voting on the Board resolutions relating to the execution of such agreements. The resolution was voted by Directors who are not connected to the transactions.

The Board is of the view that those agreements were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis or on terms no less favourable to the Company than terms available from independent third parties); and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **VI. EXTRAORDINARY GENERAL MEETING**

Under the Hong Kong Listing Rules, the conduct of purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates under the Huaneng Group Framework Agreement shall require Independent Shareholders' approval. However, pursuant to the SSE Listing Rules, the conduct of all transactions with Huaneng Group (together with its subsidiaries and associates, all being treated as concerted related parties of the Company under the SSE Listing Rules) as set out in this announcement shall require approval by the Independent Shareholders of the Company. The Company proposes to convene an extraordinary general meeting in December 2023 to seek approval from Independent Shareholders on (among others) the conduct of the continuing connected transactions (including the relevant proposed caps) contemplated under the Huaneng Group Framework Agreement. Huaneng Group and its associates will abstain from voting on the resolutions, among others, with respect to the conduct of the continuing connected transactions (including the relevant proposed caps) contemplated under the Huaneng Group Framework Agreement at such extraordinary general meeting, at which the proposed resolutions will be passed by way of ordinary resolutions and voting will be taken by way of poll in accordance with the requirements of the Hong Kong Listing Rules.

To comply with the requirements of the Hong Kong Listing Rules, the Independent Board Committee of the Company will advise the Independent Shareholders in connection with the transaction regarding purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement and has appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders regarding



the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement.

The Company shall despatch a circular containing, among others, further details of the continuing connected transactions for the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement, a letter from the Independent Board Committee the opinion of Gram Capital to the shareholders within 15 business days after publication of this announcement.

Under the Hong Kong Listing Rules, Gram Capital is required to opine only on the continuing connected transactions relating to the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement and, in which case, Gram Capital will not provide opinions on the other transactions contemplated under the Huaneng Group Framework Agreement (collectively, the “Other Transactions”). Notwithstanding such arrangement, the Company still proposes to include details of the Other Transactions in the circular to be issued so that shareholders of the Company will have a full picture of (among others) all transactions as contemplated under the Huaneng Group Framework Agreement. The Company believes that on such basis, the Independent Shareholders will be provided with sufficient information so as to make an informed decision in the voting of the relevant proposed resolutions.

**VII. DEFINITION**

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| “2023 Huaneng Group Framework Agreement” | the framework agreement on the continuing connected transactions for 2023 between Huaneng Power International, Inc. and China Huaneng Group Co., Ltd. entered into between the Company and Huaneng Group on 25 October 2022 |
| “associate(s)”                           | has the meaning ascribed to it in the Hong Kong Listing Rules   |
| “Board”                                  | the board of Directors of the Company   |
| “Company”                                | Huaneng Power International, Inc.   |
| “connected person(s)”                    | has the meaning ascribed to it in the Hong Kong Listing Rules   |
| “Director(s)”                            | the director(s) of the Company  |
| “HIPDC”                                  | Huaneng International Power Development Corporation   |

|   |   |
|---|---|
| “Hong Kong Listing Rules”                         | The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange   |
| “Hua Neng HK”                                     | China Hua Neng Group Hong Kong Limited  |
| “Huaneng Finance”                                 | China Huaneng Finance Corporation Limited   |
| “Huaneng Group”                                   | China Huaneng Group Co., Ltd.   |
| “Huaneng Group Framework Agreement”               | the framework agreement on the continuing connected transactions for 2024 between Huaneng Power International, Inc. and China Huaneng Group Co., Ltd. entered into between the Company and Huaneng Group on 10 October 2023   |
| “Independent Board Committee”                     | a committee of the Board established for the purpose of considering the transactions regarding the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement, comprising independent nonexecutive Directors who are independent of these transactions  |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement |
| “Independent Shareholders”                        | shareholders of the Company other than Huaneng Group and its associates   |
| “PRC” or “China”                                  | The People’s Republic of China  |
| “RMB”   | Renminbi, the lawful currency of the PRC  |
| “SSE Listing Rules”                               | The Rules Governing the Listing of Securities on the Shanghai Stock Exchange  |

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”

has the meaning ascribed to it in the Hong Kong Listing Rules

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

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

Wang Kui (*Executive Director*)

Huang Jian (*Non-executive Director*)

Lu Fei (*Non-executive Director*)

Teng Yu (*Non-executive Director*)

Mi Dabin (*Non-executive Director*)

Cheng Heng (*Non-executive Director*)

Li Haifeng (*Non-executive Director*)

Lin Chong (*Non-executive Director*)

Xu Mengzhou (*Independent Non-executive Director*)

Liu Jizhen (*Independent Non-executive Director*)

Xu Haifeng (*Independent Non-executive Director*)

Zhang Xianzhi (*Independent Non-executive Director*)

Xia Qing (*Independent Non-executive Director*)

Beijing, the PRC

11 October 2023