華能國際電力股份有限公司
HUANENG POWER INTERNATIONAL, INC.

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

(Stock Code: 902)

CONTINUING CONNECTED TRANSACTIONS UNDER HUANENG GROUP FRAMEWORK AGREEMENT; DISCLOSEABLE TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS UNDER HUANENG FINANCE FRAMEWORK AGREEMENT; AND PROPOSED CHANGE OF AUDITORS

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

Gram Capital Limited
嘉林資本有限公司

HUANENG GROUP FRAMEWORK AGREEMENT

On 29 October 2024, the Company entered into the Huaneng Group Framework Agreement with Huaneng Group, its ultimate controlling shareholder, for a term commencing on 1 January 2025 and expiring on 31 December 2025. 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) accepting 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; and (13) accepting factoring services. Such transactions will be conducted on an on-going basis and constitute continuing connected transactions under the Hong Kong Listing Rules.

Among those 13 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) and type (13) 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 exemption) of the Hong Kong Listing Rules, those transactions are exempt from reporting, announcement and the Independent Shareholders' approval requirements.

HUANENG FINANCE FRAMEWORK AGREEMENT

On 29 October 2024, the Company entered into the Huaneng Finance Framework Agreement with Huaneng Finance, for a term commencing on 1 January 2025 and expiring on 31 December 2027. Pursuant to the Huaneng Finance Framework Agreement, Huaneng Finance will provide (1) deposit services; (2) credit services and note discounting services; and (3) Other Financial Services to the Company.

As the applicable percentage ratios relating to the scale of the deposit transactions (based on the maximum daily balances of the deposits) with Huaneng Finance contemplated under the Huaneng Finance Framework Agreement calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5% but are less than 25%, such transactions constitute discloseable transactions to the Company under Chapter 14 of the Hong Kong Listing Rules and also continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, and are subject to the annual reporting, announcement under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules and the Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

With respect to the note discounting and credit services provided by Huaneng Finance under the Huaneng Finance Framework Agreement, given that the note discounting services and credit services provided by Huaneng Finance are in the interests of the Company and on normal commercial terms that are comparable to or more favourable than those offered by independent third parties for similar services in the PRC and that no security is granted over the assets of the Company in respect of such services, the transactions for note discounting services and credit services contemplated under the Huaneng Finance Framework Agreement are exempt from all the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

With respect to Other Financial Services under the Huaneng Finance Framework Agreement, as the applicable percentage ratios of annual caps in respect of fees charged by Huaneng Finance for Other Financial Services are less than 0.1%, Other Financial Services are exempt from all the reporting, announcement, annual review and the Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

PROPOSED CHANGE OF AUDITORS

The Company proposed to rotate the auditors periodically. Given that EY and EYHM have served as the international auditor and the PRC auditor of the Company for six consecutive years, respectively, and in order to maintain good corporate governance practices, the Board has decided to rotate the auditors upon the expiration of the current terms of EY and EYHM. The Board has resolved at the extraordinary general meeting to propose an ordinary resolution in relation to the proposed appointment of Hong Kong BDO and BDO as the international auditor and the PRC auditor of the Company for the year 2025, respectively, and approval of their remuneration with the total amount of RMB18.09 million (inclusive of tax).

EXTRAORDINARY GENERAL MEETING

The Company proposes to convene an extraordinary general meeting in December 2024 to propose relevant resolutions to seek approval from the Independent Shareholders on (among others) the Huaneng Group Framework Agreement, the Huaneng Finance Framework Agreement and the continuing connected transactions (including the respective relevant proposed caps) contemplated thereunder and to seek approval from shareholders on the appointment of auditors.

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 the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement, and has appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders regarding the transactions relating to the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the proposed caps) contemplated under the Huaneng Group Framework Agreement and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement.

The Company shall despatch a circular containing, among others, details of the transactions for the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services contemplated under the Huaneng Group Framework Agreement, details of the deposit transaction contemplated under the Huaneng Finance Framework Agreement, a letter from the Independent Board Committee and the opinion of Gram Capital and details of proposed change of auditors to the shareholders on or before 29 November 2024 as soon as possible so as to allow the Company to have sufficient time to prepare the information for inclusion in the circular.

I. RELATIONSHIP BETWEEN THE COMPANY AND HUANENG GROUP AND HUANENG FINANCE

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 140,711MW.

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 wholly-owned subsidiary, a 0.13% indirect interest in the Company through Huaneng Structural Adjustment No.1 Securities Investment Private Fund, its concerted party, and a 0.06% indirect interest in the Company through its controlling subsidiary Huaneng Finance. Huaneng Group is the ultimate controlling shareholder of the Company.

Huaneng Finance is a company incorporated in the PRC, of which the principal business includes absorbing deposits of the member units, handling loans and financial leasing for the member units, assisting the member units in realizing the receipt and payment of transaction funds, providing guarantee to the member units, handling entrustment loans among the member units, handling bill acceptance and discounting for the member units, engaging in inter-bank borrowings, negotiable securities investment, etc. Huaneng Group holds 52% equity interest in Huaneng Finance. The Company holds 20% equity interest in Huaneng Finance, which in turn holds 0.06% equity interest in the Company. The other equity interests in Huaneng Finance are held by North United Power Co., Ltd. (10%), HIPDC (5.58%), Huaneng Capital Services Co., Ltd. (4.42%), Huaneng Lancang River Hydropower Inc. (3.33%), Huaneng Energy Transportation Industry Holdings Co., Ltd. (2%), Xi'an Thermal Power Research Institute Co., Ltd. (1.67%) and Huaneng New Energy Co., Ltd. (1%). Those entities are ultimately owned/controlled by Huaneng Group.

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 and Huaneng Finance) constitute connected transactions of the Company, and are subject to the relevant disclosure and/or the Independent Shareholders' approval requirements as stipulated in the Hong Kong Listing Rules.

II. HUANENG GROUP FRAMEWORK AGREEMENT

1. Introduction

The Company entered into the 2024 Huaneng Group Framework Agreement on 10 October 2023 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 2024. The relevant agreement will expire on 31 December 2024. In order to continue the relevant transactions, the Company entered into the Huaneng Group Framework Agreement with Huaneng Group on 29 October 2024 for a term commencing on 1 January 2025 and expiring on 31 December 2025.

2. Particulars of Transactions

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 and operation for the infrastructure construction works for power plants. Pursuant to the provisions of the 2024 Huaneng Group Framework Agreement with respect to the purchase of ancillary equipment and parts in 2024 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the annual cap of such transactions for 2024 was set at RMB2.1 billion. During the period from 1

January 2024 to 30 September 2024, 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 RMB390 million. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the fact that the corresponding adjustments were 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.

For 2025, 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 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 the benefit of offering favourable prices on bulk purchases by Huaneng Group and its subsidiaries and associates.

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 to the Company and its subsidiaries, they have a close relationship with the Company and its subsidiaries, while they are able to provide the Company and its subsidiaries with the ancillary equipment and parts 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 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 "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 2025 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 2024 Huaneng Group Framework Agreement with respect to the purchase of fuel and transportation services in 2024 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the cap of the aggregate transaction amount for 2024 was RMB115 billion. During the period from 1 January 2024 to 30 September 2024, 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 RMB43.028 billion. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024. 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 corresponding adjustments to relevant transactions made by the Company.

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 2025 is estimated to be RMB75 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 2025 is slightly less than the existing annual cap for the year ending 31 December 2024 after considering the market fluctuation of coal price and decrease in the quality of coal purchase. The annual cap for 2025 is set based on the current overall business scale and operation of the power plants of the Company and its subsidiaries, and the reasonable expectation of those power plants by the Company and its subsidiaries and market trend, having taken into account the capability in offering relatively competitive prices on bulk purchase of fuel and transportation services 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 the 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 2024 Huaneng Group Framework Agreement with respect to the leasing of facilities, land and office spaces in 2024 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the cap of the relevant transaction amount for 2024 was set at RMB300 million. During the period from 1 January 2024 to 30 September 2024, 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 RMB146 million. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024.

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 2025 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 of such power plants as deemed reasonable by the Company and its subsidiaries, having taken 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 that they are able to offer more favourable prices for leasing of facilities, land and office spaces to the Company and its subsidiaries, they have a close relationship with the Company and its subsidiaries, while they are able to provide the Company and its subsidiaries 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 the 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 ratio 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 review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 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, contracting of construction works in progress, supervision of manufacture of facilities and insurance services by Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries. Pursuant to the 2024 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 2024 was set at RMB8.4 billion. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount (unaudited) between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates was approximately RMB1,294 million. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was due to the adjustments made to the estimated transactions by the Company based on the actual overall business scale and operating conditions as well as market changes.

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 2025 is estimated not to exceed RMB5.5 billion. 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 demand for engineering, production, science and technology expected to be arisen from the green transformation of the Company and its subsidiaries, having taken into account the benefit of favourable prices for the provision 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, they have a close relationship with the Company and its subsidiaries, while they 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 they 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 "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 the Independent Shareholders' approval under the Hong Kong Listing Rules.

(5) Provision of entrusted sale and related services from 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 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 2024 Huaneng Group Framework Agreement with respect to the provision of entrusted sale of electricity and related services from Huaneng Group and its subsidiaries and associates in 2024, the anticipated transaction amount for 2024 was RMB100 million. During the period from 1 January 2024 to 30 September 2024, 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 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024.

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 2025 is estimated to be RMB100 million. Such estimate of cap amount is set based on the factors such as overall business scale of the transaction parties in 2025, 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 2025 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) Accepting 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 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 2024 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 2024 was set at RMB100 million. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount for 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 was RMB0. It is estimated that by the end of 2024, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2024.

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 2025 is estimated to be RMB100 million. Such estimate of cap amount is based on the factors such as overall business scale of the transaction parties in 2025, the quota for transfer of power generation, transaction rules, transaction volume, transaction prices, service fees, etc. and the reasonable expectation of the development of the transaction parties 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 improve efficiency, the Company and its subsidiaries will carry out power generation quota transfer transactions, power transactions, paid services and other businesses in areas where the Company and its subsidiaries are located. The counterparty(ies) of the transaction of the Company and its subsidiaries 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 acceptance of the provision of aforesaid entrusted sale and related services from Huaneng Group and its subsidiaries and associates by 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 an independent third party by the Company and its subsidiaries 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 2025 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 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 2024 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 2024 was set at RMB1 billion. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount (unaudited) for the sale of products and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates was approximately RMB208 million. It is estimated that by the end of 2024, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the fact that the 2024 budget includes transactions that may sell coal to connected persons under specific conditions, while such transactions have not actually occurred so far in 2024.

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 2025 is estimated to be RMB800 million. 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 and services of the power plants of Huaneng Group and its subsidiaries in 2025 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 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 2025 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.

(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 2024 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 2024 was set at RMB200 million. During the period from 1 January 2024 to 30 September 2024, the amount of such transactions between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates was RMB57 million. It is estimated that by the end of 2024, the actual transaction amount will not exceed the anticipated transaction amount in 2024.

Pursuant to the Huaneng Group Framework Agreement, the 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 in 2025 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 2025, as well as the reasonable expectations of the Company and its subsidiaries for the development of the transaction, after considering at the same time that the good cooperative relationships between the Company and Huaneng Group and its subsidiaries and associates can reduce the management and operating costs of the Company and its subsidiaries to improve 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 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 2025 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 including the sales of industrial steam, hot water and other thermal products produced by the Company's power plants and heating enterprise, and the acceptance of the entrustment of Huaneng Group and its subsidiaries and associates to sell industrial steam, hot water and other thermal products, and charge counterparties for the service fees.

Pursuant to the provisions of the 2024 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 in 2024, the cap of the aggregate transaction amount for 2024 was set at RMB300 million. During the period from 1 January 2024 to 30 September 2024, the amount (unaudited) of such transactions between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates was approximately RMB56 million. It is estimated that by the end of 2024, the actual transaction amount will not exceed the anticipated transaction amount for 2024.

According to the Huaneng Group Framework Agreement, the transaction amount 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 in 2025 is estimated to be RMB200 million. The cap of the transaction amount is estimated after taking into account 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 2025 based on the existing overall business scale and operation of the power plants of the Company and its subsidiaries in 2025, as well as the reasonable expectations of the Company and its subsidiaries for the development of the transaction after considering at the same time that the good cooperative relationships between the Company and Huaneng Group and its subsidiaries and related parties can reduce the management and operating costs of the Company and its subsidiaries to improve 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 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 2025 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.

(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 from Huaneng Group and its subsidiaries and associates includes purchase of carbon allowances, China Certified Emission Reduction (CCER), green certificates and carbon emission reduction related services.

Pursuant to the 2024 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 2024, the annual cap of the relevant transaction amount in 2024 is RMB1.1 billion. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount (unaudited) 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 RMB4 million. The substantial difference between the estimated transaction amount and the actual transaction amount was because the Company's actual operation and market condition have changed and the third performance cycle of the State's carbon quotas will be completed in the fourth quarter. The Company is currently carrying out work relating to carbon quota performance, and it is expected that the actual amount to be incurred will not exceed the estimated cap for 2024.

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 from Huaneng Group and its subsidiaries and associates in 2025 is estimated to be RMB1.3 billion. The cap of the transaction amount is based on the shortage of carbon emission reduction resources of the Company and its subsidiaries in 2025 and the reasonable expectation for the development of the transaction after considering that the good cooperative relationships between the Company and 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 to improve the Company's operating results. The reason for increase of the estimated amount in 2025 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 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 2025 exceeds the above cap (i.e. RMB1.3 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 to Huaneng Group and its subsidiaries and associates includes the sale of carbon allowances, China Certified Emission Reduction (CCER), green certificates and carbon emission reduction related services.

Pursuant to the 2024 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 2024, the annual cap of the relevant transaction amount in 2024 is RMB800 million. During the period from 1 January 2024 to 30 September 2024, 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 RMB0. It is estimated that by the end of 2024, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was because the Company's actual operation and market condition have changed and the third performance cycle of the State's carbon quotas will be completed in the fourth quarter.

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 2025 is estimated to be RMB1.3 billion. The cap of the transaction amount is based on the sufficiency of carbon emission reduction resources of the Company and its subsidiaries in 2025 and the reasonable expectation for the development of the transaction after considering that Huaneng Group and its subsidiaries and associates can reduce the management and operating costs of the Company and its subsidiaries at the same time to improve the Company's operating results. The reason for increase of the estimated amount in 2025 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 2025 exceeds the above cap (i.e. RMB1.3 billion), 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 organized between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates with a trustee or agent bank acting as an intermediary. 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, borrowing trust loans and accepting loans under the Huaneng Group Framework Agreement are exempted the reporting, announcement and the Independent Shareholders' approval 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 2025 is expected to be RMB800 million and the maximum daily balance for the loans received for 2025 is expected to be RMB16 billion or its equivalent in foreign currency.

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 the Independent Shareholders' approval requirements pursuant to Rule 14A.90 (which relates to financial assistance exemption) 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.

(13) Accepting factoring services

Huaneng Group and its subsidiaries and associates shall provide factoring services to the Company and its subsidiaries. Huaneng Group and its subsidiaries and associates shall provide factoring facility to the Company and its subsidiaries. The financing fee for provision of factoring services is based on the Loan Prime Rate (LPR) for the same period with moderate fluctuation, and it shall not be higher than the financing fee determined by an independent third-party factoring company for providing the same kind of services to the Group and shall be determined on normal commercial terms. The specific fee rate shall be agreed under the specific agreements to be signed by the parties based on the aforesaid principles.

The Company and Huaneng Group did not make any agreement for factoring services under the 2024 Huaneng Group Framework Agreement. There were no such transactions between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates from 1 January 2024 to 30 September 2024.

The estimated transaction amount for acceptance of factoring services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries in 2025 is RMB4 billion or its equivalent in foreign currency. The cap of such transaction amount takes into account the existing overall business scale and operation of the power plants of the Company and its subsidiaries, the anticipated development of such power plants as deemed reasonable by the Company and its subsidiaries, and also the favourable interest rates offered by Huaneng Group and its subsidiaries and associates.

The factoring business facilitates the Company to expand its financing channels and improve the operating efficiency of the supply chain. The Company would take into consideration of the following factors when choosing the vendors of factoring services: (i) the qualifications and qualities of vendors; (ii) the factoring services rates; and (iii) whether the factoring financing plan meets the operating characteristics of enterprises in power industry. In comparison with obtaining from independent third parties, Huaneng Group and its subsidiaries and associates have a deeper understanding on the operation of the Company, which is beneficial for Huaneng Group and its subsidiaries and associates to provide more convenient, efficient and personalized factoring business services to the Company and its subsidiaries than other financial institutions.

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 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 2025 exceeds the above cap (i.e. RMB4 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

3. 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 overall interest in the transaction and at the same time minimize 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; and (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 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 thermal 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 facilities (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 negotiated at 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 independent 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 operate. 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, so as to realise the maximum benefit for the Company;

- for transactions in relation to sale of products, in principle, the 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 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 fixed 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 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 operate, 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;

- For the provision of factoring services by Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries, subject to compliance with the relevant rules and regulations of relevant regulatory authorities and relevant requirements, the financing fee shall not be higher than that determined by an independent third-party factoring company for providing the same kind of services to the Company, and shall be determined on normal commercial terms;

- 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 supervisory committee 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.

III. HUANENG FINANCE FRAMEWORK AGREEMENT

1. Introduction

The Huaneng Finance Framework Agreement for 2022 to 2024 will expire on 31 December 2024. In order to continue the relevant transactions, the Company entered into the Huaneng Finance Framework Agreement with Huaneng Finance on 29 October 2024, for a term commencing on 1 January 2025 and expiring on 31 December 2027. Pursuant to the Huaneng Finance Framework Agreement, Huaneng Finance will provide (1) deposit services; (2) credit services and note discounting services; and (3) other financial services ("**Other Financial Services**") to the Company and its subsidiaries.

2. Particulars of Transactions

(1) Deposit Services

The Company from time to time places deposits with Huaneng Finance at rates which are no less favourable than the rates available from independent third parties such as Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications for the deposits of the same term and type in the PRC.

Pursuant to the 2022-2024 Huaneng Finance Framework Agreement, for the period from 1 January 2022 to 31 December 2024, the outstanding balances of the Company's deposits with Huaneng Finance should not exceed RMB20 billion (or its equivalent in foreign currency) on a daily basis.

For 2022, 2023 and the period from 1 January 2024 to 30 September 2024, the maximum outstanding daily balances of the Company's deposits placed with Huaneng Finance were RMB19.991 billion (audited), RMB19.9997 billion (audited) and RMB19.990 billion (unaudited), respectively. The Company estimates that during the period from 2025 to 2027, the outstanding balances of the Company's deposits to be placed with Huaneng Finance on a daily basis shall not exceed RMB22 billion (or its equivalent in foreign currency).

The estimates on the relevant deposit amounts from 2025 to 2027 are based on the following considerations: (1) the deposit amounts will successively increase following the successive expansion of the scale of assets of the Company; (2) the Company has been a shareholder holding a 20% equity interest in Huaneng Finance since December 2005, and as such the profit growth in Huaneng Finance brought by the support from the Company will also bring about more returns for the Company.

The Company may, from time to time and as necessary, enter into separate implementation agreements with Huaneng Finance for deposit transactions contemplated under the Huaneng Finance Framework Agreement. Each implementation agreement will set out the specific terms of the particular deposit transaction. As the implementation agreements are to provide for the deposit services as contemplated by the Huaneng Finance Framework Agreement, they will not constitute new categories of connected transactions. Such implementation agreements will be within the bounds of the Huaneng Finance Framework Agreement and the caps thereunder.

The commercial terms offered under any implementation agreements to be entered into between Huaneng Finance and the Company will be negotiated at arm's length terms, taking into account the prevailing market conditions, and will be no less favourable than those offered to the Company by domestic independent third parties for provision of similar service in the PRC.

The Directors and senior management of the Company will monitor closely and review regularly the deposit transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the deposit transactions, the independence of the Company, the fairness of the amount of deposits, the fairness of the terms of the transactions, and the right of choice of the Company to place deposits with independent third parties other than Huaneng Finance.

The reporting and record systems and internal control procedures taken by the Company include:

- the transactions under the Huaneng Finance Framework Agreement are conducted on a non-exclusive basis;

- the Finance Department of the Company implements an interest rate adjustment mechanism. Before conducting relevant transactions with Huaneng Finance, on aspect of deposit, it will review whether the terms of deposit provided by Huaneng Finance are not inferior to the average interest rate over similar deposit for the same period obtained by the Company and its subsidiaries from the five state-owned banks: The Bank of China Limited, Agricultural Bank of China Limited, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation and Bank of Communications Co., Ltd., and on aspect of credit services and note discounting services, it will review whether the terms provided by Huaneng Finance to the Company and its subsidiaries are no less favourable than the terms that the Company and its subsidiaries can obtain from independent third parties. It enables the Company to obtain the most favorable terms on deposit services, credit services and note discounting services and maximize the Company's overall interests in transactions, and reduce the Company's transaction costs and time;

- the Company will conduct quarterly checking and settlement with related parties (including Huaneng Finance) in relation to the operational fund transfers in order to ensure the safety of funds;

- the Company will strictly review contracts and timely monitor the amount and interest rate of the deposit transactions; also, the independent non-executive Directors and the Company's auditors will review annually the performance of agreements, in order to review the Company's deposit transactions with Huaneng Finance on their fairness and the amount and interest rate of the deposit transactions on their reasonableness.

- The Directors are of the view that the deposit transactions do not have any effect on the assets and liabilities of the Company. Instead, the Company can earn interests from the deposit transactions.

The importance and the necessity of the deposit transactions contemplated under the Huaneng Finance Framework Agreement to the Company are set out as follows:

(a) The increase of the cap on the maximum outstanding balances of the deposits (on daily basis) is to meet the business development of the Company. At the same time, as most of the electricity payments are usually made by the local power grid companies towards the end of each month, there is a gap between the existing cap on the maximum outstanding balances of the deposits (on daily basis) and the practical need. If the maximum outstanding balances of the deposits (on daily basis) were not adjusted, the Company would spend more administrative costs in relocating the funds under its control more frequently so as to maintain and monitor such balance to a level not to exceed the maximum cap, thus increasing the Company's compliance risks.

(b) Loans from Huaneng Finance have to be placed in designated account with Huaneng Finance. Like the arrangement with other commercial banks, the loans offered by Huaneng Finance are all required to be deposited in the Company's designated deposits account with Huaneng Finance. The deposit transactions with Huaneng Finance help the Company systemically manage the capital utilization. Being familiar with the business and operation of the Company, Huaneng Finance is able to provide more cost-efficient, convenient, comprehensive and personalised financial services to the Company than the deposit services provided by other commercial banks.

(c) The deposit interest rates offered to the Company. The deposit interest rates to be offered by Huaneng Finance will be at least equal to or no less favourable than the then prevailing deposit rates offered to the Company by the five major state-owned commercial banks, namely The Bank of China Limited, Agricultural Bank of China Limited, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation and Bank of Communications Co., Ltd. for provision of similar services.

(d) The Company has been a shareholder holding a 20% equity interest in Huaneng Finance since December 2005. The profit growth of Huaneng Finance derived from the Company's support to Huaneng Finance will provide a higher investment return to the Company.

(2) Note Discounting Services and Credit Services

In addition, the Company and its subsidiaries will also use the note discounting services and credit services (including loan advancement, bill acceptance services and other credit services) provided by Huaneng Finance as Huaneng Finance is more efficient in terms of note discounting services and credit services than the general domestic commercial banks that provide similar services for the Company and its subsidiaries (mainly due to the fact that less time is required to process the transactions). The Company considers that the provision of note discounting and credit services by Huaneng Finance will be conducive to increase the operation efficiency in the use of funds by the Company. In respect of the credit services provided by Huaneng Finance, none of them will require any security on the part of the Company and its subsidiaries.

Pursuant to the 2022-2024 Huaneng Finance Framework Agreement, the Company's total transaction amount relating to the note discounting is RMB4 billion for each of 2022, 2023 and 2024, and the maximum daily loan balance of loans is RMB23 billion (or its equivalent in foreign currency) for 2022 while the maximum daily loan balance of loans is RMB33 billion (or its equivalent in foreign currency) for each of 2023 and 2024.

The Company estimates that the total transaction amount relating to the note discounting services for each of 2025, 2026 and 2027 will be RMB4 billion while the maximum balance (on daily basis) of credit services for each of 2025, 2026 and 2027 will be RMB33 billion (or its equivalent in foreign currency). The estimates on the amounts of note discounting and credits from 2025 to 2027 are based on the actual note discounting and loans of the Company and its subsidiaries with Huaneng Finance for 2022, 2023 and the period from 1 January 2024 to 30 September 2024 and the scale expansion and business development needs of the Company and its subsidiaries from 2025 to 2027.

(3) Other Financial Services

In addition, the Company and its subsidiaries will, from time to time, utilise Other Financial Services available from Huaneng Finance on a non-exclusive basis as it deems necessary and pay commission charges for such services, including:

(a) bill acceptance services;

(b) arranging entrustment loans for the Group as a financial agent. Huaneng Finance will not require the Group to provide any type of guarantees or securities with respect to the entrustment loan services; and

(c) other financial services approved by the National Financial Regulatory Administration.

For 2022, 2023 and the period from 1 January 2024 to 30 September 2024, fees charged by Huaneng Finance for Other Financial Services provided to the Company and its subsidiaries were RMB7.53 million (audited), RMB13.54 million (audited) and RMB13.00 million (unaudited). The aggregate amounts to be paid by the Group to Huaneng Finance for Other Financial Services are not and will not be more than the de minimis threshold of 0.1% as calculated under Rule 14A.76(1)(a) of the Hong Kong Listing Rules.

Under the Huaneng Finance Framework Agreement, the Company estimates that the fees to be charged by Huaneng Finance for the bill acceptance, entrustment loan services and other financial services approved by the National Financial Regulatory Administration provided to the Company and its subsidiaries from time to time will not exceed RMB30 million for each of the three financial years ending 31 December 2027.

3. Pricing Policies and Control Measures

Deposit services, note discounting and credit business as well as Other Financial Services are parts of the daily operation of the Company and its subsidiaries, while the commercial terms offered by Huaneng Finance in respect of such transactions to the Company and its subsidiaries are no less favourable than those terms offered by domestic commercial banks in respect of similar transactions. In particular,

(a) for the deposit services, rates are no less favourable than the rates available from independent third parties such as Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications for the deposits of the same term and type in the PRC.

(b) for the loan advancement and note discounting services, the interest rates for the loan advancement and note discounting services provided by Huaneng Finance to the Company and its subsidiaries shall be based on the loan prime rate published by the National Interbank Funding Center of the People's Bank of China. Under the same conditions, the interest rates shall not be higher than the interest rates for loans or note discounting of the same term and type offered by the five major state-owned commercial banks, namely Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications.

(c) for Other Financial Services, the fees charged by Huaneng Finance for the bill acceptance, entrustment loan services and other financial services approved by the National Financial Regulatory Administration provided to the Company and its subsidiaries from time to time shall not be higher than the standard of fees charged by the five major state-owned commercial banks, namely Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications, for the same type of services during the same period.

At the same time, the Company believes that the safety risk of deposits with Huaneng Finance may be controlled effectively based on the following considerations: (1) as a non-bank financial institution supervised by Beijing Regulatory Authority of the National Financial Regulatory Administration, Huaneng Finance insists on conducting business in accordance with the law during the course of its daily operation, and has all along endeavoured to prevent financial risks and has established and implemented an effective internal control mechanism during the course of its development, which is in compliance with the regulatory requirements of the National Financial Regulatory Administration in relation to risk control ratios; (2) as the Company holds 20% equity interest in Huaneng Finance, its own interests may be safeguarded by facilitating the regular operation of the shareholders' meeting, the board of directors and the risk control committee of Huaneng Finance through the lawful exercise of shareholders' rights. In addition, Huaneng Finance is more efficient than domestic commercial banks providing similar services for the Company and its subsidiaries in terms of providing note discounting and credit services and Other Financial Services, which is mainly reflected in the shorter duration to process such transactions. Therefore, the Company believes that it is beneficial to improving the operating efficiency of funds for the Company and its subsidiaries if the note discounting and credit services are provided by Huaneng Finance.

4. Implication Under Hong Kong Listing Rules

As the applicable percentage ratios relating to the scale of the deposit transactions (based on the maximum daily balances of the deposits) with Huaneng Finance contemplated under the Huaneng Finance Framework Agreement calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5% but are less than 25%, such transactions constitute discloseable transactions to the Company under Chapter 14 of the Hong Kong Listing Rules and also continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, and are subject to the annual reporting, announcement under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules and the Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

With respect to the note discounting and credit services provided by Huaneng Finance under the Huaneng Finance Framework Agreement, given that the note discounting services and credit services provided by Huaneng Finance are in the interests of the Company and on normal commercial terms that are comparable to or more favourable than those offered by independent third parties for similar services in the PRC and that no security is granted over the assets of the Company in respect of such services, the note discounting services and credit services contemplated under the Huaneng Finance Framework Agreement are exempt from all the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

With respect to Other Financial Services under the Huaneng Finance Framework Agreement, as the respective applicable percentage ratios on annual basis in respect of fees charged by Huaneng Finance for Other Financial Services are less than 0.1%, Other Financial Services are exempt from all the reporting, announcement, annual review and the Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

IV. FAIRNESS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE HUANENG GROUP FRAMEWORK AGREEMENT AND THE HUANENG FINANCE FRAMEWORK AGREEMENT AND THEIR IMPACTS ON INDEPENDENCE OF THE COMPANY

The Huaneng Group Framework Agreement and the Huaneng Finance Framework Agreement are 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 price and 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 and Huaneng Finance 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 and Huaneng Finance 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, the Huaneng Finance Framework Agreement and a series of management arrangements in accordance with the regulatory requirements, maintain its independence 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 dependence on its controlling shareholder and other related parties. 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 and Huaneng Finance 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 Huaneng Finance Framework Agreement and the connected transactions contemplated 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 connected transactions contemplated thereunder do not affect the independence of the Company.

V. PROPOSED CHANGE OF AUDITORS

The Company proposed to rotate the auditors periodically. Given that EY and EYHM have served as the international auditor and the PRC auditor of the Company for six consecutive years, respectively and in order to maintain good corporate governance practices, the Board has decided to rotate the auditors upon the expiration of the current term of EY and EYHM. Each of EY and EYHM has confirmed in writing to the Board that there are no matters in relation to the proposed change of auditors of the Company that need to be brought to the attention of the audit committee, shareholders or creditors. The Board and the audit committee confirmed that there are no disagreements or unresolved matters between the Company and EY and EYHM, and there are no other matters or circumstances in relation to the proposed change of auditors of the Company that need to be brought to the attention of the shareholders. The Board would like to take this opportunity to express its gratitude to EY and EYHM for their professional services provided during their tenure.

The Company is of the view that such selection process is part of the measures for continual enhancement of impartiality and fairness in the procurement of professional services, which could encourage competitive audit quality and fee. Therefore, the Company conducted an open tender process for the selection of the Company's auditors for the year 2025. In the process, various factors including but not limited to the eligibility and qualifications of the participating firms, the audit scope, the audit proposals, the fees and other terms offered by those firms, their independence, reputation, the composition of the engagement team members, technical competence, experience, capabilities and resources have been considered. Hong Kong BDO and BDO were selected through this process.

After considering (among others) the following factors regarding Hong Kong BDO and BDO: (i) their extensive experience, industry knowledge and technical competence in providing audit services to listed companies; (ii) their independence from the Group to ensure objectivity; (iii) their reputable standing in the market; (iv) their resources and capabilities; and (v) their integrity records and investor protection capabilities, the audit committee is of the view that Hong Kong BDO and BDO possess the relevant qualifications, investor protection capability and good integrity, are competent to conduct the audit of the Company's financial statements and internal control audit and are able to perform the audit on the financial condition and internal control status of the Company independently, objectively and impartially. The decision-making procedure of the Company for engaging the accounting firms does not prejudice the interests of the Company and its minority shareholders.

Based on the recommendation from the audit committee, the Board has resolved at the extraordinary general meeting to propose an ordinary resolution in relation to the proposed appointment of Hong Kong BDO and BDO as the international auditor and the PRC auditor of the Company for the year 2025, respectively, and approval of their remuneration. Their remuneration is proposed to be RMB18.09 million (inclusive of tax), which includes the fee of RMB3 million for the internal control audit and shall be adjusted based on the actual audit scope. The remuneration was determined by Hong Kong BDO and BDO with reference to the market pricing principle and after taking comprehensive consideration of various factors such as the business size of Company, the industry in which it operates and the complexity of accounting treatment, as well as their charging standards.

The Board and the audit committee are of the view that the change of auditors will not have any significant impact on the Group and will enhance the cost-effectiveness of the Company's annual audit. It is also conducive to maintaining good corporate governance practices in relation to the independence of the Company's auditors, which is in the interests of the Company and its shareholders as a whole.

VI. BOARD'S CONFIRMATION

The Board of the Company has considered and approved the Huaneng Group Framework Agreement, the Huaneng Finance Framework Agreement and the transactions and the estimates of relevant caps of the transactions under such agreements. Pursuant to the SSE Listing Rules and Rule 14A.68(8) of the Hong Kong Listing Rules, Messrs. Wang Kui, Wang Zhijie, Huang Lixin, Du Daming, Zhou Yi and Li Lailong, being the Directors of the Board being regarded as having a material interest in the Huaneng Group Framework Agreement, the Huaneng Finance Framework Agreement and the transactions under such agreements 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 of the Company is of the view that the Huaneng Group Framework Agreement, the Huaneng Finance Framework Agreement and the transactions under such 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.

The Board is of the view that the change of auditors will not have any significant impact on the Group and will enhance the cost-effectiveness of the Company's annual audit. It is also conducive to maintaining good corporate governance practices in relation to the independence of the Company's auditors and in the interests of the Company and its shareholders as a whole.

VII. 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 from Huaneng Group and its subsidiaries and associates under the Huaneng Group Framework Agreement and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement shall require the 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 under the SSE Listing Rules) contemplated under the Huaneng Group Framework Agreement and the Huaneng Finance Framework Agreement shall require approval by the Independent Shareholders of the Company. The Company proposes to convene an extraordinary general meeting in December 2024 to seek approval from the Independent Shareholders on (among others) the terms of the continuing connected transactions (including the relevant proposed caps) contemplated under the Huaneng Group Framework Agreement and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement. Huaneng Group and its associates (holding an aggregate of 7,256,376,866 ordinary shares in the Company, representing approximately 46.22% of the total issued shares of the Company as at the date of this announcement) will abstain from voting on the resolutions, among others, with respect to the terms of the continuing connected transactions (including the relevant proposed caps) contemplated under the Huaneng Group Framework Agreement and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance 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 terms of 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 the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement, and has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the 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 the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement.

In addition, the Company shall seek approval from shareholders on the respective appointment of Hong Kong BDO and BDO as the international auditor and the PRC auditor of the Company for the year 2025 at the extraordinary general meeting. No shareholder is required to abstain from voting on the ordinary resolution in relation to the appointment of auditors.

The Company shall despatch a circular containing, among others, details of the transactions for the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services contemplated under the Huaneng Group Framework Agreement, details of the deposit transaction contemplated under the Huaneng Finance Framework Agreement, a letter from the Independent Board Committee and the opinion of Gram Capital and details of proposed change of auditors to the shareholders on or before 29 November 2024 as soon as possible so as to allow the Company to have sufficient time to prepare the information for inclusion in the circular.

Under the Hong Kong Listing Rules, Gram Capital is required to opine only on the 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 the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement, in which case, Gram Capital will not provide opinions on the other transactions contemplated under the Huaneng Group Framework Agreement and the Huaneng Finance 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 will have a full picture of (among others) all transactions as contemplated under the Huaneng Group Framework Agreement and the Huaneng Finance 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.

VIII. DEFINITION

"2022-2024 Huaneng Finance Framework Agreement"	the framework agreement entered into between the Company and Huaneng Finance on 26 October 2021 in relation to the provision of the deposit services, loan advancement and note discounting services by Huaneng Finance to the Company from 2022 to 2024 and the supplemental agreement entered into between the Company and Huaneng Finance on 25 October 2022 for the purpose of increasing the maximum daily balances of loans under the 2022-2024 Huaneng Finance Framework Agreement
"2024 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
"associate(s)"	has the meaning ascribed to it in the Hong Kong Listing Rules
"BDO"	BDO China Shu Lun Pan Certified Public Accountants LLP
"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
"EY"	Ernst & Young
"EYHM"	Ernst & Young Hua Ming LLP
"HIPDC"	Huaneng International Power Development Corporation
"Hong Kong BDO"	BDO Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hua Neng HK"	China Hua Neng Group Hong Kong Limited

"Huaneng Finance"	China Huaneng Finance Corporation Limited
"Huaneng Finance Framework Agreement"	the financial services agreement entered into between the Company and Huaneng Finance on 29 October 2024 in relation to the provision of the deposit services, credit services and note discounting services and Other Financial Services by Huaneng Finance to the Company from 2025 to 2027
"Huaneng Group"	China Huaneng Group Co., Ltd.
"Huaneng Group Framework Agreement"	the framework agreement on the continuing connected transactions for 2025 between Huaneng Power International, Inc. and China Huaneng Group Co., Ltd. entered into between the Company and Huaneng Group on 29 October 2024
"Huaneng Treasury"	China Huaneng Group Treasury Management (Hong Kong) Limited
"Independent Board Committee"	a committee of the Board established for the purpose of considering the transactions regarding the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the proposed caps) contemplated under the Huaneng Group Framework Agreement and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement, comprising independent non-executive 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 advise 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 proposed caps) contemplated under the Huaneng Group Framework Agreement and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance 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 Chaoquan
Company Secretary

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

Wang Kui *(Executive Director)*
Wang Zhijie *(Executive Director)*
Huang Lixin *(Executive Director)*
Du Daming *(Non-executive Director)*
Zhou Yi *(Non-executive Director)*
Li Lailong *(Non-executive Director)*
Cao Xin *(Non-executive Director)*
Li Haifeng *(Non-executive Director)*
Ding Xuchun *(Non-executive Director)*
Wang Jianfeng *(Non-executive Director)*
Xia Qing *(Independent Non-executive Director)*
He Qiang *(Independent Non-executive Director)*
Zhang Liying *(Independent Non-executive Director)*
Zhang Shouwen *(Independent Non-executive Director)*
Dang Ying *(Independent Non-executive Director)*

Beijing, the PRC
30 October 2024