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華能國際電力股份有限公司

HUANENG POWER INTERNATIONAL, INC.

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

(Stock Code: 902)

**CONNECTED TRANSACTION
TRANSFER OF 49% EQUITY INTERESTS IN
SICHUAN ENERGY DEVELOPMENT COMPANY**

To optimize the management of the Company's assets and promote the Company's high-quality development, the Company entered into the Equity Transfer Agreement with Huaneng Group and Huaneng Hydropower on 6 September 2023. Pursuant to the Equity Transfer Agreement, Huaneng Hydropower proposed to acquire a 100% equity interest in Sichuan Energy Development Company held by Huaneng Group and the Company in aggregate by way of non-public agreed transfer, of which the Company proposed to transfer a 49% equity interest in Sichuan Energy Development Company by way of non-public agreed transfer at a price of RMB4,203.4808 million to Huaneng Hydropower. Upon completion of the Transaction, the Company will no longer hold any equity interest in Sichuan Energy Development Company.

As of the date of publication of this announcement, Huaneng Group held a 75% direct equity interest and a 25% indirect equity interest in HIPDC. HIPDC, as the direct controlling shareholder of the Company, held a 32.28% equity interest in the Company. Huaneng Group is a state-owned centralized enterprise mainly engaged in the operation of the power industry and is supervised by the State-owned Assets Supervision and Administration Commission of the State Council. In addition, Huaneng Group held a 9.91% direct equity interest in the Company, a 3.01% indirect equity interest in the Company through its wholly-owned subsidiary, Hua Neng HK, a 0.84% indirect equity interest in the Company through Hong Kong Treasury Company, a wholly-owned subsidiary of Huaneng Group, and a 0.06% indirect equity interest in the Company through Huaneng Finance, a controlling subsidiary of Huaneng Group. Huaneng Hydropower is a controlling subsidiary of Huaneng Group.

Pursuant to the relevant percentage ratios as calculated as per Rule 14.07 of the Hong Kong Listing Rules, the Transaction does not constitute a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules. Nonetheless, the Transaction constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the scale of the Transaction exceeds 0.1% but is less than 5% of the relevant percentage ratios as calculated pursuant to Rule 14.07 of the

Hong Kong Listing Rules, the Company is only required to comply with the annual reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but is exempt from independent shareholders' approval requirement.

Pursuant to the applicable laws and the Equity Transfer Agreement, the Transaction is subject to the consideration and approval of the general meeting of Huaneng Hydropower.

I. INTRODUCTION

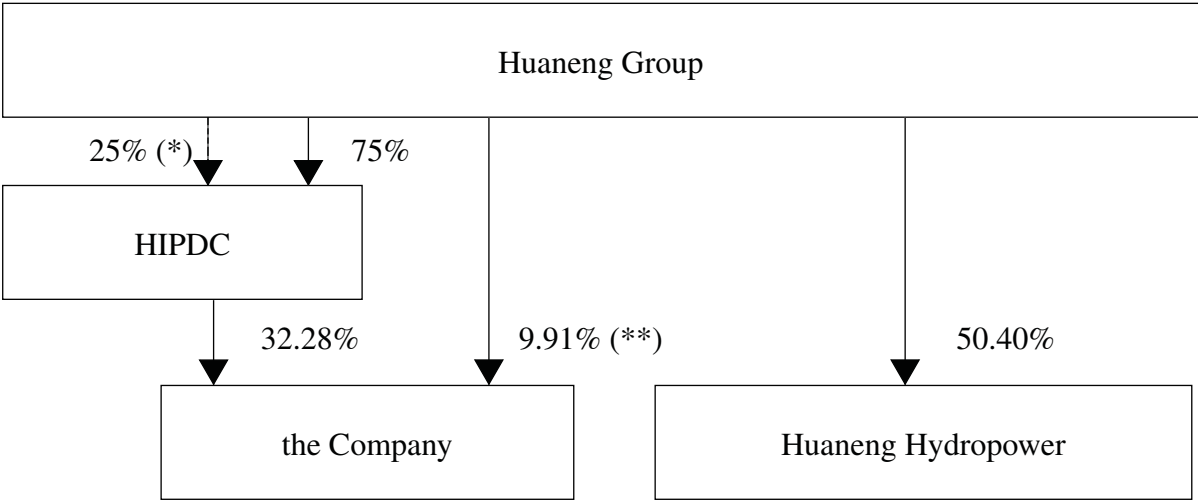
To optimize the management of the Company's assets and promote the Company's high-quality development, the Company entered into the Equity Transfer Agreement with Huaneng Group and Huaneng Hydropower on 6 September 2023. Pursuant to the Equity Transfer Agreement, Huaneng Hydropower proposed to acquire a 100% equity interest in Sichuan Energy Development Company held by Huaneng Group and the Company in aggregate by way of non-public agreed transfer, of which the Company proposed to transfer a 49% equity interest in Sichuan Energy Development Company by way of non-public agreed transfer at a price of RMB4,203.4808 million to Huaneng Hydropower. Upon completion of the Transaction, the Company will no longer hold any equity interest in Sichuan Energy Development Company. Pursuant to the applicable laws and the Equity Transfer Agreement, the Transaction is subject to the consideration and approval of the general meeting of Huaneng Hydropower.

II. RELATIONSHIP BETWEEN THE COMPANY, HUANENG GROUP AND HUANENG HYDROPOWER

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. As of 30 June 2023, the Company's controlled generation capacity was 129,995 MW.

As of the date of publication of this announcement, Huaneng Group held a 75% direct equity interest and a 25% indirect equity interest in HIPDC. HIPDC, as the direct controlling shareholder of the Company, held a 32.28% equity interest in the Company. Huaneng Group is a state-owned centralized enterprise mainly engaged in the operation of the power industry and is supervised by the State-owned Assets Supervision and Administration Commission of the State Council. In addition, Huaneng Group held a 9.91% direct equity interest in the Company, a 3.01% indirect equity interest in the Company through its wholly-owned subsidiary, Hua Neng HK, a 0.84% indirect equity interest in the Company through Hong Kong Treasury Company, a wholly-owned subsidiary of Huaneng Group, and a 0.06% indirect equity interest in the Company through Huaneng Finance, a controlling subsidiary of Huaneng Group. Huaneng Hydropower is a controlling subsidiary of Huaneng Group. Huaneng Hydropower is mainly engaged in the development, investment, construction, operation and management of hydropower generation projects, and owns the development rights of all the hydropower resources in the main stream of the Lancang River. It also engages in the construction and operation of new energy sources such as solar power, wind power.

As of the date of publication of this announcement, the relationship between the Company and Huaneng Hydropower is shown as below:



* Huaneng Group, through its wholly-owned subsidiary i.e. Hua Neng HK, indirectly holds a 100% equity interest in Pro-Power Investment Limited while Pro-Power Investment Limited holds a 25% equity interest in HIPDC. Therefore, Huaneng Group holds a 25% indirect equity interest in HIPDC.

** Huaneng Group holds a 9.91% direct equity interest in the Company and holds a 3.01% equity interest in the Company through its wholly-owned subsidiary Hua Neng HK, a 0.84% indirect equity interest in the Company through its wholly-owned subsidiary Hong Kong Treasury Company, and a 0.06% indirect equity interest in the Company through its controlling subsidiary Huaneng Finance.

According to the relevant provisions of the Hong Kong Listing Rules, Huaneng Group is a connected person of the Company, while Huaneng Hydropower is the associate of the connected person of the Company. The Transaction constitutes a connected transaction of the Company, and is subject to the relevant disclosure and/or independent shareholders’ approval requirements under the Hong Kong Listing Rules.

III. MAJOR TERMS OF THE EQUITY TRANSFER AGREEMENT

1. Date:

6 September 2023

2. Parties to the agreement:
 - (i) Transferors: Huaneng Group, the Company
 - (ii) Transferee: Huaneng Hydropower
3. Consideration, payment method and duration: Huaneng Hydropower shall pay RMB4,375.0514 million to Huaneng Group as consideration for the transfer of a 51% equity interest in Sichuan Energy Development Company, and Huaneng Hydropower shall pay RMB4,203.4808 million to the Company as consideration for the transfer of a 49% equity interest in Sichuan Energy Development Company. Huaneng Hydropower shall pay the consideration in cash. Unless otherwise agreed by each party, Huaneng Hydropower shall pay the consideration for the transfer in two installments in the proportion of 51% and 49%, of which the first payment shall be made within five business days from the date on which the Equity Transfer Agreement becomes effective and shall be RMB2,231.2762 million to the Huaneng Group and RMB2,143.7752 million to the Company respectively (the “**First Installment**”). The second payment shall be made within five business days from the date of completion of the registration of industrial and commercial changes, of which RMB2,143.7752 million shall be paid to Huaneng Group and RMB2,059.7056 million shall be paid to the Company (the “**Second Installment**”).
4. Closing and registration of transfers: Closing of the Transaction shall take place within five business days from the date on which all the conditions precedent set out in the Equity Transfer Agreement have been satisfied or duly waived as appropriate. The Transferors and Huaneng Hydropower shall register the transfer of the Target Equity with the administrative authorities for industry and commerce as soon as reasonably possible after the closing and file the articles of association of Huaneng Hydropower setting out Huaneng Hydropower’s holding of the Target Equity in Sichuan Energy Development Company, as amended by the proper procedures, with the administrative authorities for industry and commerce.
5. Transitional period: Gains and losses and other comprehensive income generated by Sichuan Energy Development Company from 31 March 2023 to the closing date will be enjoyed and borne by Huaneng Hydropower. During the transitional period, the Transferors will exercise due diligence and good faith in respect of Sichuan Energy Development Company, and will manage and operate the Sichuan Energy Development Company and the related business in a reasonable and normal manner.
6. Conditions precedent for effectiveness: Each party shall enter into the Equity Transfer Agreement by signing the agreement. The Equity Transfer Agreement shall become effective on the date of the approval of the Equity Transfer Agreement and the Transaction at the general meeting of Huaneng Hydropower.

7. Liability for breach of contract: Either party shall promptly compensate/indemnify the other party to the Equity Transfer Agreement for any losses and expenses incurred by the other party to the Equity Transfer Agreement as a result of any breach by it of any of the provisions of the Equity Transfer Agreement (including representations, warranties, undertakings and covenants made by it). In particular, for any loss caused to Huaneng Hydropower as a result of any untruthfulness, inaccuracy or incompleteness of the information, documents and materials disclosed or provided by Sichuan Energy Development Company and its subsidiaries to Huaneng Hydropower for the purpose of the Transaction, including but not limited to the adjustments to be made to the relevant audit reports or asset valuation reports as a result thereof, the Transferors shall bear the corresponding compensation/indemnity liability in proportion to its relative shareholding in Sichuan Energy Development Company as of the date of signing the Equity Transfer Agreement. For the avoidance of doubt, unless otherwise agreed in the Equity Transfer Agreement, the obligations and liabilities of either the Transferors under the Equity Transfer Agreement are independent and separate, i.e., either Transferors shall only be liable for breach of contract in respect of its own breach of the provisions of the Equity Transfer Agreement.

IV. THE BASIC INFORMATION OF THE TARGET OF THE CONNECTED TRANSACTION

1. Name and category of the Transaction

The Transaction is a sale of equity interest by the Company to a connected person of the Company, Huaneng Hydropower.

2. The basic information of Sichuan Energy Development Company

The target company of the connected transaction is Sichuan Energy Development Company, the basic information is as follow:

Date of establishment: July 2004

Type of enterprise: Other limited liability company

Address: Huaneng Building, No. 47 Renmin South Road Section 4, Wuhou District, Chengdu City

Legal representative: Liu Xingguo

Registered capital: RMB1,469.80 million

Scope of business Approved Projects: Power generation business, power transmission business, power supply (distribution) business; hydroelectric power generation (specific operational projects subject to approval by relevant departments and can be conducted after approval, specific business projects subject to approval documents or licence); General Projects: Emerging energy technology research and development; thermal production and supply; land pipeline transportation; gas and liquid separation and purification equipment sales; cooling services; water resource management; carbon reduction, carbon conversion, carbon capture, carbon storage technology research and development; energy conservation management services; technical services, technical development, technical consultation, technical exchange, technology transfer, technology promotion; engineering management services; unit logistics management services (excluding projects that require approval by law, business activities carried out independently based on the business license according to law).

In July 2004, Huaneng Group invested in the establishment of Sichuan Energy Development Company. Currently, Sichuan Energy Development Company is a controlling subsidiary of Huaneng Group, and its existing shareholders and their shareholding ratios are: 51% equity interests held by Huaneng Group and 49% equity interests held by the Company.

The ownership of Sichuan Energy Development Company held by the Company is clear, with no mortgages, pledges, or any other restrictions on transfer. There are no lawsuits, arbitration cases, or judicial measures such as seizure or freezing that affect the transfer of ownership, and there are no other circumstances that hinder the transfer of ownership. Sichuan Energy Development Company has not been listed as a dishonest debtor.

The following are the relevant financial data of Sichuan Energy Development Company issued on a consolidated basis in accordance with China Accounting Standards as of 31 December 2022 and 31 March 2023 (where Baker Tilly China Certified Public Accountants LLP (special general partnership) audited the financial statements of Sichuan Energy Development Company as of 31 December 2022 and 31 March 2023 and issued audit report No. Tianzhiyezi [2023]37827):

	For the year ended 31 December 2022 (RMB0,000) (audited)	For the three months ended 31 March 2023 (RMB0,000) (audited)
Operating income	243,928.01	53,606.14
Net profit	68,639.98	19,004.04
	As at 31 December 2022 (RMB0,000) (audited)	As at 31 March 2023 (RMB0,000) (audited)
Total assets	1,875,165.49	1,926,909.98
Net assets	528,664.99	549,440.42

The following are net profit before taxation and net profit after taxation of Sichuan Energy Development Company issued on a consolidated basis in accordance with China Accounting Standards for the year ended 31 December 2021 and 31 December 2022 (where Baker Tilly China Certified Public Accountants LLP (special general partnership) audited the financial statements of Sichuan Energy Development Company for the year ended 31 December 2021 and 31 December 2022 and issued audit reports No. Tianzhiyezi [2022] 4348 and No. Tianzhiyezi [2023] 2945 respectively):

	For the year ended 31 December 2021 (RMB) (audited)	For the year ended 31 December 2022 (RMB) (audited)
Net profit before taxation	819,226,131.97	820,814,872.98
Net profit after taxation	696,492,785.07	686,399,757.57

Except for the asset assessment conducted in the Transaction, Sichuan Energy Development Company has not conducted any other asset assessments, capital increases, capital reductions, or restructuring activities in the past 12 months.

3. Evaluation and pricing of the Transaction

According to the “Asset Appraisal Report on the Total Equity of Huaneng Sichuan Energy Development Co., Ltd. to be injected into Huaneng Lancang River Hydropower Inc. by Huaneng Sichuan Energy Development Co., Ltd.” (Report No. Da Zheng Ping Bao Zi [2023] No. 222A) issued by China Faith Appraisers Co., Ltd., the valuation of the assets

of the Transaction was conducted using March 31, 2023 as the valuation base date, and the valuation using the asset-based approach was adopted as the final result of the valuation. Under the asset-based approach, Sichuan Energy Development Company's total asset book value was RMB5,587.9743 million, the assessed value was RMB10,525.5109 million, the appraised value was RMB4,937.5366 million, and the value-added rate was 88.36%. The liability book value was RMB1,946.9787 million, and the assessed value was RMB1,946.9787 million. The book value of owner's equity (net assets) was RMB3,640.9956 million, the assessed value was RMB8,578.5322 million, the appraised value was RMB4,937.5366 million, with a value-added rate of 135.61%.

The final transaction price for the target assets in the Transaction shall be based on the evaluation results issued by an asset appraisal institution in accordance with the Securities Law of the People's Republic of China. After mutual consultation and agreement among the parties involved, the asset-based assessment value of RMB4,203.4808 million shall be used as the consideration of the Transaction for the 49% equity interest of Sichuan Energy Development Company.

V. PURPOSE OF THE CONNECTED TRANSACTION AND THE IMPACT ON THE COMPANY

The Transaction is to optimize the management of the Company's assets, accelerate the return of the Company's equity investment funds, create favorable conditions for the Company to deepen its green and low-carbon transformation, and help realize the Company's high-quality development.

The Transaction does not involve any change in the scope of the Company's consolidated financial statements. It is expected that the Transaction will boost the Company performance for this year. The transaction will not prejudice the interests of the Company and all shareholders.

Under International Financial Reporting Standards, it is estimated that the Company will recognise a gain (excluding the transaction costs and taxes, etc.) of approximately RMB2.1 billion (before tax) from the Transaction. The amount was calculated based on transaction consideration and the book value of the equity interest, etc. The actual amount from equity transfer will be assessed after the completion of the Transaction and is subject to review by the auditors of the Company.

The Company intends to utilize the proceeds from the Transaction to facilitate the green and low-carbon transition of the Company.

The Transaction does not involve any change in the management, personnel placement, land leasing, etc. of Sichuan Energy Development Company.

VI. IMPLICATIONS UNDER HONG KONG LISTING RULES

Pursuant to the relevant percentage ratios as calculated as per Rule 14.07 of the Hong Kong Listing Rules, the Transaction does not constitute a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules. Nonetheless, the Transaction constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules as the scale of the Transaction exceeds 0.1% but is less than 5% of the relevant percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Company is only required to comply with the annual reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but is exempt from independent shareholders' approval requirement.

Pursuant to the applicable laws and the Equity Transfer Agreement, the Transaction is subject to the consideration and approval of the general meeting of Huaneng Hydropower.

VII. APPROVAL FROM THE BOARD

The Transaction was considered and approved at the thirty-fifth meeting of the tenth session of the Board of the Company on 5 September 2023. Wang Kui, Huang Jian, Lu Fei, Teng Yu, all being Directors having connected relationship, abstained from voting on the board resolution relating to the Transaction pursuant to SSE Listing Rules and Hong Kong Listing Rules.

The Directors (including independent non-executive Directors) are of the view that the Equity Transfer Agreement was entered into in accordance with the following principles: (i) 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); (ii) on terms that are fair and reasonable and are in the interests of the Company and its shareholders as a whole and (iii) in the ordinary and usual course of business of the Company.

VIII. DEFINITION

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Company”	Huaneng Power International, Inc.
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“HIPDC”	Huaneng International Power Development Corporation

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Hong Kong Treasury Company”	China Huaneng Group Treasury Management (Hong Kong) Limited
“Hua Neng HK”	China Hua Neng Group Hong Kong Limited
“Huaneng Finance”	China Huaneng Finance Corporation Limited
“Huaneng Group”	China Huaneng Group Co., Ltd.
“Huaneng Hydropower”	Huaneng Lancang River Hydropower Inc.
“PRC” or “China”	the People’s Republic of China
“RMB”	the lawful currency of the PRC
“Equity Transfer Agreement”	the equity transfer agreement in relation to Huaneng Sichuan Energy Development Co., Ltd. entered into among the Company, Huaneng Group and Huaneng Hydropower on 6 September 2023
“Sichuan Energy Development Company”	Huaneng Sichuan Energy Development Co., Ltd.
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Target Equity”	100% equity interests in Sichuan Energy Development
“Transaction”	the transaction contemplated under the Equity Transfer Agreement entered into among the Company, Huaneng Group and Huaneng Hydropower on 6 September 2023

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*)

Huang Jian (*Non-executive Director*)

Lu Fei (*Non-executive Director*)

Teng Yu (*Non-executive Director*)

Mi Dabin (*Non-executive Director*)

Cheng Heng (*Non-executive Director*)

Li Haifeng (*Non-executive Director*)

Lin Chong (*Non-executive Director*)

Xu Mengzhou (*Independent Non-executive Director*)

Liu Jizhen (*Independent Non-executive Director*)

Xu Haifeng (*Independent Non-executive Director*)

Zhang Xianzhi (*Independent Non-executive Director*)

Xia Qing (*Independent Non-executive Director*)

Beijing, the PRC

7 September 2023