
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should obtain independent professional advice.

If you have sold or transferred all your shares in Huaneng Power International, Inc., you should at once hand this circular and, where applicable, the form of proxy and reply slip to the purchaser or transferee or to the bank, or a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**PROVISION OF COUNTER-GUARANTEE;
CONTINUING CONNECTED TRANSACTIONS UNDER
THE HUANENG GROUP FRAMEWORK AGREEMENT;
RE-APPOINTMENT OF ACCOUNTING FIRM FOR 2024;
CAPITAL INCREASE IN LIAONING QINGNENG COMPANY;
AND
NOTICE OF EGM**

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



**Gram Capital Limited
嘉林資本有限公司**

The Company will convene the EGM at 9:00 am. On 5 December 2023 at Conference Room A102, the headquarters of the Company, Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, the PRC. A notice convening the EGM is set out on pages III-1 to III-3 of this circular. A letter from the board of Directors of the Company is set out on pages 6 to 39 of this circular. A letter from the Independent Board Committee of the Company is set out on pages 40 to 41 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 42 to 54 of this circular.

If you intend to attend the EGM, you should complete and return the reply slip in accordance with the instructions printed thereon as soon as possible.

Whether or not you are able to attend the EGM, you should complete and return the form of proxy in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not later than 24 hours before the time appointed for holding such meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish. If you attend and vote at the EGM in person, the authority of your proxy will be deemed to have been revoked.

20 October 2023

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	40
Letter from Gram Capital	42
Appendix I – General Information	I-1
Appendix II – Announcement regarding Capital Increase	II-1
Appendix III – Notice of EGM	III-1

DEFINITIONS

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

“2023 Huaneng Group Framework Agreement”	the framework agreement on the continuing connected transactions for 2023 between Huaneng Power International, Inc. and China Huaneng Group Co., Ltd. entered into between the Company and Huaneng Group on 25 October 2022
“A Shares”	domestic tradable shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares
“Announcement regarding Capital Increase”	the Company’s announcement dated 11 October 2023 regarding the Capital Increase in Liaoning Qingneng Company
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“Capital Increase”	the capital increase of RMB1,500,000,000 to Liaoneng Qingneng Company by Huaneng Gongrong Fund pursuant to the terms of the Capital Increase Agreement
“Capital Increase Agreement”	the agreement to be entered into between the Company, Liaoning Qingneng Company and Huaneng Gongrong Fund in relation to Capital Increase
“Company”, “Huaneng International”	Huaneng Power International, Inc., a sino-foreign joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively, and its subsidiaries (as the case may be)
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Counter-Guarantee Contract”	the Counter-Guarantee Contract entered into between Hainan Company and Group Fuel Company on 25 July 2023, the principal terms of which can be found in the sub-section headed “Counter-Guarantee Contract” in paragraph III. headed “PROVISION OF COUNTER-GUARANTEE” of this circular
“Director(s)”	the director(s) (including independent non-executive directors) of the Company

DEFINITIONS

“EGM” or “Extraordinary General Meeting”	the 2023 first extraordinary general meeting of the Company to be held at 9:00 a.m. on 5 December 2023 at the headquarters of the Company at Conference Room A102, the headquarters of the Company, Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, the PRC to consider and approve the resolutions set out in the Notice of EGM
“Finance Leases”	collectively a series of finance leases entered into between LE Shipping and ICBC Leasing pursuant to which ICBC Leasing agreed to purchase vessels for LE Shipping at a total consideration of approximately RMB4,779 million and LE Shipping agreed to lease those vessels for a term of 15 years. The loan bears a floating interest rate at the above-five-year LPR (as quoted by the People’s Bank of China from time to time) minus 0.24%. The aggregate of principal and interest payable by LE Shipping under the Finance Leases shall amount to RMB6,621 million
“Gram Capital”, “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective caps) contemplated under the Huaneng Group Framework Agreement
“Group Fuel Company”	China Huaneng Group Fuel Co., Ltd.
“Guarantee Contract”	the contract entered into between Group Fuel Company and ICBC Leasing on 10 February 2014, pursuant to which, Group Fuel Company, as guarantor, provide a guarantee to ICBC Leasing in respect of the payment obligation and/or liabilities of LE Shipping under the Finance Leases
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“Hainan Company”	Huaneng Hainan Power Inc.
“HIPDC”	Huaneng International Power Development Corporation
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hua Neng HK”	China Hua Neng Group Hong Kong Limited
“Huaneng Finance”	China Huaneng Finance Corporation Limited
“Huaneng Gongrong Fund”	Huaneng Gongrong No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (華能工融一號(天津)股權投資基金合夥企業(有限合夥))
“Huaneng Group”	China Huaneng Group Co., Ltd.
“Huaneng Group Framework Agreement”	the framework agreement on the continuing connected transactions for 2024 between Huaneng Power International, Inc. and China Huaneng Group Co., Ltd. entered into between the Company and Huaneng Group on 10 October 2023
“Huaneng Treasury”	China Huaneng Group Treasury Management (Hong Kong) Limited
“ICBC Leasing”	ICBC Leasing Co., Ltd. To the best knowledge and belief of the Directors of the Company, ICBC Leasing is a third party independent of the Company and its connected persons
“Independent Board Committee”	a committee of the Board established for the purpose of considering the terms of the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective caps) contemplated under the Huaneng Group Framework Agreement comprising Mr. Xu Mengzhou, Mr. Liu Jizhen, Mr. Xu Haifeng, Mr. Zhang Xianzhi and Mr. Xia Qing, the independent non-executive Directors of the Company
“Independent Shareholders”	Shareholders other than Huaneng Group and HIPDC and their respective associates, and who are not involved in, or interested in the transactions contemplated under each of the Counter-Guarantee Contract, the Huaneng Group Framework Agreement, the Letter of Support and the Capital Increase Agreement
“Latest Practicable Date”	17 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“LE Shipping”	Shanghai Leading Energy Shipping Limited

DEFINITIONS

“Letter of Support”	the letter of support executed by the Company Support in favour of Shandong Company, pursuant to which the Company shall provide Liquidity Support to Shandong Company
“Liaoning Qingneng Company”	Huaneng Liaoning Clean Energy Limited Liability Company (華能遼寧清潔能源有限責任公司)
“Liquidation Support”	the liquidity support to be provided by the Company to Shandong Company under the Letter of Support
“Notice of EGM”	the notice for convening the EGM as set out in Appendix III to this circular
“Other Transactions”	the transactions regarding the purchase of ancillary equipment and parts; leasing of facilities, land and office spaces; provision of entrusted sale and related services to Huaneng Group and its subsidiaries and associates; accept the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates; sale of products and related services; purchase of heat products and related services; sale of heat products and related services; purchase of carbon emission reduction resources and related services; sale of carbon emission reduction resources and related services; and borrowing trust loans and accepting loans to be conducted between the Company and its subsidiaries and Huaneng Group and its subsidiaries and its associates in 2024 contemplated under the Huaneng Group Framework Agreement
“PRC”, “China”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administrative Commission of the State Council
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Company”	Huaneng Shandong Power Generation Co., Ltd. (華能山東發電有限公司)
“Shareholder(s)”	A Shareholder(s) and H Shareholder(s)
“SSE Listing Rules”	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange

DEFINITIONS

“Stock Exchange”, “Hong Kong
Stock Exchange”

The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”

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

LETTER FROM THE BOARD



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)

Executive Director:

Wang Kui

Non-executive Directors:

Huang Jian

Lu Fei

Teng Yu

Mi Dabin

Cheng Heng

Li Haifeng

Lin Chong

Registered Address:

Huaneng Building

6 Fuxingmennei Street

Xicheng District

Beijing 100031

PRC

Independent Non-executive Director:

Xu Mengzhou

Liu Jizhen

Xu Haifeng

Zhang Xianzhi

Xia Qing

20 October 2023

To the Shareholders

Dear Sir or Madam,

**PROVISION OF COUNTER-GUARANTEE;
CONTINUING CONNECTED TRANSACTIONS UNDER
THE HUANENG GROUP FRAMEWORK AGREEMENT;
RE-APPOINTMENT OF ACCOUNTING FIRM FOR 2024;
CAPITAL INCREASE IN LIAONING QINGNENG COMPANY;
AND
NOTICE OF EGM**

I. INTRODUCTION

Background

On 25 July 2023, the Company published an announcement regarding the Counter-Guarantee Contract entered into between Hainan Company and Group Fuel Company, pursuant to which Hainan

LETTER FROM THE BOARD

Company agreed to provide the Counter-Guarantee with respect to the obligations of Group Fuel Company under the Guarantee Contract in favour of Group Fuel Company.

On 10 October 2023, the Company published various announcements including the announcement regarding the continuing connected transactions (including the respective caps) for 2024 contemplated under the Huaneng Group Framework Agreement, the announcement regarding the re-appointment of accounting firm for 2024 and the Announcement regarding Capital Increase.

Provision of Counter-Guarantee

Under the Hong Kong Listing Rules, the transaction contemplated under the Counter-Guarantee Contract is exempt from independent shareholders' approval requirement. However, according to the SSE Listing Rules, the transaction under the Counter-Guarantee Contract is subject to shareholders' approval at general meeting. Accordingly, the Company will submit a resolution regarding the connected transaction on provision of counter-guarantee (being resolution no.1 of the Notice of EGM) for approval by Independent Shareholders at the EGM.

The continuing connected transactions (including the respective caps) for 2024 contemplated under the Huaneng Group Framework Agreement

Under the Hong Kong Listing Rules, the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) for 2024 contemplated under the Huaneng Group Framework Agreement between the Company (and its subsidiaries) and Huaneng Group and its subsidiaries and associates shall require Independent Shareholders' approval. The Other Transactions are only subject to the reporting, annual review and announcement requirements under the Hong Kong Listing Rules. However, as required by the SSE Listing Rules, the Company is required to propose the ordinary resolution for the continuing connected transactions for 2024 between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates for approval by Independent Shareholders at the EGM. Accordingly, with respect to ordinary resolution no.2 of the Notice of EGM, all the continuing connected transactions for 2024 contemplated under the Huaneng Group Framework Agreement, i.e. the purchase of fuel and transportation services, accepting the technical services, engineering contracting services and other services and Other Transactions will be treated as one single resolution for approval by Independent Shareholders at the EGM.

To comply with the requirements of the Hong Kong Listing Rules, the Independent Board Committee will advise the Independent Shareholders in connection with the continuing connected transaction regarding the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective caps) contemplated under the Huaneng Group Framework Agreement. The letter from the Independent Board Committee to the Independent Shareholders is included in this circular. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective caps) contemplated under the Huaneng Group Framework Agreement, and whether such transactions under the above framework agreement are in the interests of the Company and its

LETTER FROM THE BOARD

Shareholders as a whole. The letter of advice regarding the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective caps) contemplated under the Huaneng Group Framework Agreement from Gram Capital to the Independent Board Committee and the Independent Shareholders is also included in this circular.

Under the Hong Kong Listing Rules, Gram Capital is only required to opine 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 caps) contemplated under the Huaneng Group Framework Agreement. Gram Capital will not provide opinion on the Other Transactions. Notwithstanding such arrangement, the Company still include details of the Other Transactions in this circular so that H Shareholders can have a full picture of the background regarding the resolutions to be proposed at the EGM. The Company believes that on such basis, the Independent Shareholders have been provided with sufficient information so as to make an informed decision in the voting of the relevant proposed resolutions at the EGM.

Capital Increase in Liaoning Qingneng Company

Under the Hong Kong Listing Rules, the transaction regarding the Capital Increase in Liaoning Qingneng Company is exempt from independent shareholders' approval requirement. However, according to the SSE Listing Rules, the transaction under the Capital Increase Agreement is subject to shareholders' approval at general meeting. Accordingly, the Company will submit an ordinary resolution regarding the Capital Increase (being resolution no.5 of the Notice of EGM) for approval by Independent Shareholders at the EGM.

Re-appointment of Accounting Firm for 2024

Reference is made to the Company's announcement dated 11 October 2023 regarding the Reappointment of Accounting Firm. The proposal regarding the re-appointment of accounting firm for 2024 shall be submitted to the EGM as an ordinary resolution (being resolution no.3 of the Notice of EGM) for consideration and approval by the Shareholders.

Purpose of this circular

The purpose of this circular is:

- (i) to provide you with further information in relation to the proposals regarding (i) the provision of counter-guarantee; (ii) the continuing connected transactions (including the respective caps) for 2024 contemplated under the Huaneng Group Framework Agreement; (iii) the re-appointment of accounting firm for 2024; and (iv) the Capital Increase in Liaoning Qingneng Company;
- (ii) to set out the letter of advice relating to the conduct of the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective caps) contemplated under the Huaneng Group Framework

LETTER FROM THE BOARD

Agreement from Gram Capital to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee as advised by Gram Capital; and

- (iii) to seek your approval of the ordinary resolutions in relation to (among others) the proposals regarding the provision of counter-guarantee (being resolution no.1 of the Notice of EGM); the proposal regarding the continuing connected transactions (including the respective caps) for 2024 contemplated under the Huaneng Group Framework Agreement (being resolution no.2 of the Notice of EGM); the proposal regarding the re-appointment of accounting firm for 2024 (being resolution no.3 of the Notice of EGM); and the proposal regarding the Capital Increase in Liaoning Qingneng Company (being resolution no.5 of the Notice of EGM), which have been respectively set out in the Notice of the EGM.

Whilst the resolutions set out in the Notice of EGM are not inter-conditional upon each other, Independent Shareholders should note that with respect to ordinary resolution (being resolution no.2 of the Notice of EGM) regarding the continuing connected transactions for 2024 under the Huaneng Group Framework Agreement proposed at the EGM, if they vote in favour of such resolution, they would approve all the continuing connected transactions for 2024 contemplated under the Huaneng Group Framework Agreement (including the purchase fuel and transportation services and accepting the technical services, engineering contracting services and other services). In the event that the resolution proposed at the EGM as regards the continuing connected transactions for 2024 under the Huaneng Group Framework Agreement is not approved by the Independent Shareholders, all continuing connected transactions for 2024 contemplated under the Huaneng Group Framework Agreement would not be carried out by the Company.

In relation to the proposal on continuing connected transactions involved in the Similar REITs (Laiwu Power Generation Project) (i.e. resolution no.4 of the Notice of EGM), Shareholders should refer to the Company's announcement dated 11 October 2023 and circular dated 20 October 2023 for further details.

II. RELATIONSHIP BETWEEN THE COMPANY AND HUANENG GROUP

The Company and its subsidiaries mainly develop, construct, operate and manage power plants in China nationwide. It is one of the largest listed power producers in China, with a controlled generation capacity of 131,511MW.

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 Latest Practicable Date, 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 SASAC. Huaneng Group also

LETTER FROM THE BOARD

holds a 9.91% direct interest in the Company and holds a 3.01% indirect interest in the Company through its wholly-owned subsidiary Hua Neng HK, a 0.84% indirect interest in the Company through Huaneng Treasury, its indirect wholly-owned subsidiary, and a 0.06% indirect interest in the Company through its controlling subsidiary Huaneng Finance. Huaneng Group is the ultimate controlling shareholder of the Company.

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

III. PROVISION OF COUNTER-GUARANTEE

Introduction

On 10 February 2014, Group Fuel Company and ICBC Leasing entered into the Guarantee Contract, pursuant to which, Group Fuel Company, as guarantor, shall provide a guarantee to ICBC Leasing with respect to the payment obligation and/or liabilities of LE Shipping under the Finance Leases, where the maximum guarantee amount is RMB4,779 million. As at 30 June 2023, the remaining balance of the maximum guarantee amount is RMB1,349 million.

On 25 July 2023, Hainan Company, a subsidiary of the Company, entered into the Counter-Guarantee Contract with the Group Fuel Company, pursuant to which Hainan Company agreed to provide the Counter-Guarantee in respect of the obligations of Group Fuel Company under the Guarantee Contract, in proportion to Hainan Company's 40% interest in LE Shipping where the maximum amount of the counter-guarantee will not exceed RMB540 million.

Counter-Guarantee Contract

The principal terms of the Counter-Guarantee Contract are summarized as follows:

Date	:	25 July 2023
Parties	:	(a) Hainan Company; and (b) Group Fuel Company.
Counter-Guaranteed Obligations	:	Hainan Company shall provide counter-guarantee up to 40% of the obligations of Group Fuel Company under the Guarantee Contract entered into between Group Fuel Company and ICBC Leasing where Group Fuel Company will have the right to recover from Hainan Company up to 40% of any sum or sums paid by it out of guarantee obligations or as liabilities.

LETTER FROM THE BOARD

Maximum Amount to be undertaken : RMB540 million
by Hainan Company under the
Counter-Guarantee Contract

Term : The term of the counter-guarantee shall expire on 20 March 2031, being two years from the date of expiration of the period within which all outstanding debt under the Finance Leases is required to be paid off.

Reasons for and benefits of the Counter-Guarantee

As of the Latest Practicable Date, LE Shipping is owned as to 60% by Group Fuel Company and 40% by Hainan Company. LE Shipping obtained 13 vessels by way of entering into Finance Leases with ICBC Leasing. Group Fuel Company provided guarantee by way of entering into the Guarantee Contract in favour of ICBC Leasing in respect of LE Shipping's payment obligations and liabilities under the Finance Leases where the maximum guarantee amount is RMB4,779 million. As at 30 June 2023, the remaining balance of the maximum guarantee amount is RMB1,349 million under the Guarantee Contract. Group Fuel Company, with SASAC as its ultimate shareholder, entered into the Guarantee Contract as primary obligor in repaying the liabilities under the Finance Lease. Hainan Company, as a 40% shareholder of LE Shipping, proposed to provide a counter-guarantee, which is pro rata to its shareholding in LE Shipping, to Group Fuel Company against Group Fuel Company's liabilities under the Guarantee Contract where the maximum amount of the counter-guarantee will not exceed RMB540 million. By entering into the Counter-Guarantee Contract, Hainan Company's repayment obligation is subordinated and the obligation arises only if Group Fuel Company fails to meet the repayment obligation under the Guarantee Contract. Even if that happens, the repayment obligation of Hainan Company under the Counter-Guarantee is limited to 40% of the outstanding amount, which is reflective of its proportionate shareholding interest in LE Shipping. The Directors are of the view that the risk to be taken by the Company under the provision of counter-guarantee is limited and will be reducing gradually as LE Shipping has been able to repay the principal and interest on time due to its relatively favorable profit performance in recent years, while the business of leased vessels will be enjoying the benefit of low-cost operations after the full payment of principal and interest. The proposed provision of guarantee will not have a significant impact on the financial position of the Company and there are no foreseeable circumstances where the interests of the Company and its Shareholders will be harmed.

The View of the Board

The proposal relating to the provision of counter-guarantee was considered and approved at the 33rd meeting of the tenth session of the Board of the Company on 25 July 2023. Mr. Zhao Keyu, Mr. Huang Jian, Mr. Wang Kui, Mr. Lu Fei and Mr. Teng Yu, all being Directors having connected relationship, abstained from voting on the board resolution relating to the provision of counter-guarantee.

LETTER FROM THE BOARD

The Directors (including independent non-executive Directors) are of the view that the Counter-Guarantee Contract was entered into: (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.

Information on Parties

The Company

The Company and its subsidiaries mainly develop, construct, operate and manage power plants in China. It is one of the largest listed power suppliers in China. As at 30 September 2023, the Company's controlled generation capacity is 131,511 MW.

Hainan Company

Hainan Company is a company limited by shares established in the PRC in 1994. The Company holds 91.8% equity interest in Hainan Company, which is a subsidiary of the Company. Hainan Company is mainly engaged in investing in the construction and operation of various types of power plants; development and utilization of clean energy; power plant project contracting and equipment maintenance services; technical advisory services; and production and sales of electricity, heat, steam and other energy products, etc.

Group Fuel Company

Group Fuel Company is a limited liability company established in the PRC in 2010 with a registered capital of RMB3 billion. Group Fuel Company is a subsidiary of Huaneng Group. Group Fuel Company is mainly engaged in coal wholesale operation; import and export business; warehousing services; and economic information consulting and other business.

The following financial data are extracted from Group Fuel Company's financial reports prepared in accordance with the PRC accounting standards:

	31 December 2021 (audited) <i>RMB million</i>	31 December 2022 (audited) <i>RMB million</i>	30 June 2023 (unaudited) <i>RMB million</i>
Total Assets	20,759	18,527	13,838
Total Liabilities*	16,804	14,533	9,914
Net Assets	3,955	3,994	3,924
Operating Income	68,258	81,694	38,092
Net Profit	42	28	-81

* As at 31 December 2021, 2022 and 30 June 2023, the total bank loan amounted to RMB3,271 million, and RMB2,706 million and RMB2,083 million, respectively, and the total current liability amounted to RMB13,851 million, and RMB12,119 million and RMB8,600 million, respectively.

LETTER FROM THE BOARD

LE Shipping

LE Shipping is a limited liability company established in the PRC in 2008 with a registered capital of RMB800 million. As of the Latest Practicable Date, LE Shipping is owned as to 60% by Group Fuel Company and 40% by Hainan Company. LE Shipping is mainly engaged in domestic waterway transport, international maritime support business, international ship transport; cargo transport agent, maritime international cargo transport agent, ship equipment maintenance, business consulting, domestic shipping agent, international shipping agent, the import and export of goods and technology, coal operations and other businesses.

The following financial data are extracted from the LE Shipping's financial reports prepared in accordance with the PRC accounting standards:

	31 December 2021	31 December 2022	30 June 2023
	(audited)	(audited)	(unaudited)
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Total Assets	3,911	3,663	3,538
Total Liabilities*	3,158	2,907	2,777
Net Assets	753	756	761
Operating Income	2,127	1,748	532
Net Profit	18	3	3

* As at 31 December 2021, 2022 and 30 June 2023, the total bank loan amounted to RMB951 million, and RMB1,157 million and RMB1,284 million, respectively, and the total current liability amounted to RMB1,733 million, and RMB1,507 million and RMB1,469 million respectively.

Implications under Hong Kong Listing Rules

As of the Latest Practicable Date, Group Fuel Company is a subsidiary of Huaneng Group. Pursuant to Chapter 14A of the Hong Kong Listing Rules, Group Fuel Company is a connected person of the Company, and the transaction contemplated under the Counter-Guarantee Contract constitutes a connected transaction of the Company.

As the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transaction contemplated under the Counter-Guarantee Contract exceeds 0.1% but is less than 5%, the transaction contemplated under the Counter-Guarantee is subject to reporting and announcement requirements but is exempt from Independent Shareholders approval requirement under chapter 14A of the Hong Kong Listing Rules.

According to the SSE Listing Rules, the proposed transaction under the Counter-Guarantee Contract is subject to shareholders' approval at general meeting. Accordingly, the Company submits a resolution regarding the connected transaction on provision of counter-guarantee for approval by Independent Shareholders at the EGM.

LETTER FROM THE BOARD

IV. CONTINUING CONNECTED TRANSACTIONS UNDER THE HUANENG GROUP FRAMEWORK AGREEMENT

(I) Huaneng Group Framework Agreement

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

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

(1) *Purchase of ancillary equipment and parts*

Due to operational needs, the Company and its subsidiaries have to purchase ancillary equipment and parts which include mainly the raw materials and ancillary equipment and other installation and products relevant to the production operation for the infrastructure construction works for power plants. Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the purchase of ancillary equipment and parts in 2023 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the annual cap of such transactions for 2023 was set at RMB2.1 billion. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount (unaudited) in respect of the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates was approximately RMB217 million. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2023. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the corresponding adjustments made to the transactions based on the Company's actual operating conditions and market changes, and at the same time relevant projects are seasonal and the Company's technological transformation involving the purchase of ancillary equipment and parts are expected to occur in the fourth quarter of 2023. In addition, there had been postponements in the implementation of the technological transformation based on the individual needs of each subsidiary in purchasing the ancillary equipment and parts. The Company will persistently carry out the technological transformation and upgrade in an orderly manner in accordance with the policies and market demand of various regions in which the Company has operation.

For 2024, the aggregate transaction amount with respect to the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates under the Huaneng Group Framework Agreement is

LETTER FROM THE BOARD

estimated not to exceed RMB2.1 billion. The estimate of such cap is based on the procurement requirement of ancillary equipment in environmental protection technology transformation projects. The estimate also takes into consideration the overall business scale and operation of the power plants of the Company and its subsidiaries, a reasonable expectation of the Company and its subsidiaries as to the development of the relevant power plants, and also taking into account the benefit of offering favourable prices on bulk purchases by Huaneng Group and its subsidiaries and associates at the same time. In addition, the Company considers that the estimate of the cap for 2024 at RMB2.1 billion is necessary whilst the capacity of the Company's generating units still remains at a high level. According to the current situation and needs of ecological civilisation construction, the State is continuously improving and deepening its environmental protection policies in key regions including but not limited to Beijing-Tianjin-Hebei area, the Yangtze River Economic Belt, the Pearl River Delta, etc. and has put forward new and stricter requirements in terms of the water protection and the control of dust, etc. The demand for purchase of ancillary equipment and parts to conduct the environmental protection renovation by relevant subordinates of the Company still exists.

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

Pursuant to the Huaneng Group Framework Agreement, the terms and the prices with respect to the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates are negotiated at arm's length terms, taking into account the types and quantity of ancillary equipment and parts to be purchased according to the Company's procurement policy, details of which are set out in the sub-paragraph headed "(III) MEASURES TO SAFEGUARD THE INTEREST OF THE INDEPENDENT SHAREHOLDERS" to this circular. 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

LETTER FROM THE BOARD

Company will, with respect to the transactions in question, comply with the requirements under Rules 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB2.1 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

(2) *Purchase of fuel and transportation services*

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

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

Pursuant to the Huaneng Group Framework Agreement, the cap of the transaction amount for purchase of fuel and transportation services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates for 2024 is estimated to be RMB115 billion. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement. The annual cap for 2024 is slightly less than the existing annual cap for the year ending 31 December 2023 considering the market fluctuation of coal price and decrease to the quality of coal purchase. The annual cap for 2024 is set based on the estimated quantity of raw coal to be purchased from Huaneng Group and its subsidiaries and associates and the estimated purchase price of raw coal for 2024, the current overall business scale and operation of the Company and the power plants of its subsidiaries, and the reasonable expectation of

LETTER FROM THE BOARD

those power plants by the Company and its subsidiaries and market trend, and the capability in offering relatively competitive prices on bulk purchase of fuel and transportation by Huaneng Group and its subsidiaries and associates at the same time.

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

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

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

For operational needs, the Company and its subsidiaries have to lease facilities, land and office spaces (mainly including power transmission and transformation assets, vessels, land and office spaces for power plants, etc.) from Huaneng Group and its subsidiaries and associates. Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the leasing of facilities, land and office spaces in 2023 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the cap of the relevant transaction amount for 2023 was set at RMB300 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount (unaudited) which has already been paid by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates for leasing of facilities, land and office spaces was approximately RMB180 million. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the leasing of facilities, land and office spaces by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2024 is

LETTER FROM THE BOARD

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

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

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

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

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

LETTER FROM THE BOARD

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

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

Pursuant to the Huaneng Group Framework Agreement the transaction amount with respect to accepting the technical services, engineering contracting services and other services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2024 is estimated not to exceed RMB8.4 billion. The estimate of such cap is based on the following: (i) the Company actively responds to the goal of "Carbon peaking and carbon neutrality" and accelerates the green transformation. In 2024, the Company will continue to increase investment in new energy projects, and it is estimated that 10GW of new energy installed capacity will be added. Some new energy infrastructure projects will accept engineering contracting services from Huaneng Group and its subsidiaries and associates, and the corresponding transaction amount is expected to be RMB2.3 billion; and (ii) the remaining annual cap in 2024 (namely, RMB6.1 billion) is for receiving technical services and other services. The estimate of such cap is based on the existing overall business scale and operation of the power plants of the Company and its subsidiaries as well as the anticipated development of such power plants as deemed reasonable by the Company and its subsidiaries, having taken into account the benefit of favourable prices for the purchase of technical services and engineering contracting services and other services offered by Huaneng Group and its subsidiaries and associates.

LETTER FROM THE BOARD

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

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

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

LETTER FROM THE BOARD

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

The provision of entrusted sale of electricity and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries involves mainly Huaneng Group and its subsidiaries and associates using of power generation quota of the Company and its subsidiaries for substituted power generation. The power grid companies are located in different provinces across the country, and the structures and methods of payment of the transaction price are different according to the different contracts entered into between relevant parties. 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; and/or (2) after using the power generation quota of the Company and its subsidiaries by Huaneng Group and its subsidiaries and associates to generate electricity, the Company and its subsidiaries will settle with the power grid company(ies) first and then to pay the electricity revenue after deduction of the amount of the quota usage prices to Huaneng Group and its subsidiaries and associates. In addition, the Company and its subsidiaries sell electricity to Huaneng Group and its subsidiaries and associates directly, or entrust Huaneng Group, its subsidiaries and associates to sell electricity to market users, and the Company and its subsidiaries will pay the corresponding service fees. Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the provision of entrusted sale of electricity and related services to Huaneng Group and its subsidiaries and associates in 2023, the cap of the aggregate transaction amount for 2023 was RMB400 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount for the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries was RMB0. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2023. According to the “Notice on the Signing and Performance of Medium- and Long-term Power Contracts in 2023 《關於做好2023年電力中長期合同簽訂履約工作的通知》” issued by the National Development and Reform Commission, the State encourages power generation companies to increase their own power generation capacity. At the same time, taking into account the year-on-year decrease in power generation costs of the Company’s coal-fired units in the first half of 2023, in order to increase overall earnings, the Company reduced the overall transaction amount for the provision and acceptance of entrusted sale and related services (including the transaction between connected or non-connected person(s)). As a result, the estimated continuing connected transactions were not carried out as scheduled, leading in the substantial difference between the estimated transaction amount for 2023 and the actual transaction amount of the transactions.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to such entrusted sale and related services between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates for 2024 is

LETTER FROM THE BOARD

estimated to be RMB100 million. Such cap is set based on the factors such as overall business scale of the transaction parties in 2024, the quota for transfer of power generation, transaction rules, transaction volume, transaction prices, service fees, etc. and the reasonable expectation of the transactions by the Company and its subsidiaries. The estimated transaction amount of connected transactions with respect to the provision and acceptance of entrusted sale and related services is estimated and measured based on the estimated electricity volume multiplied by the electricity price (including tax). The estimated aforementioned electricity volume is approximately 1 billion to 2 billion kWh and the aforementioned electricity price shall be varied from RMB0.05 to RMB0.1.

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

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

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

LETTER FROM THE BOARD

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

The acceptance of the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries involves mainly the use of power generation quota of Huaneng Group and its subsidiaries and associates for substituted power generation. The power grid companies are located in different provinces across the country, and the structures and methods of payment of the transaction price are different according to the different contracts entered into between relevant parties. 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; and/or (2) after using the power generation quota of Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries to generate electricity, Huaneng Group and its subsidiaries and associates will settle with the power grid company(ies) first and then to pay the electricity revenue after deduction of the amount of the quota usage prices to the Company and its subsidiaries. In addition, the Company and its subsidiaries purchase electricity from Huaneng Group and its subsidiaries and associates directly, or accept the entrustment from Huaneng Group, its subsidiaries and associates to sell electricity to market users, and the Company and its subsidiaries will charge the corresponding service fees. Pursuant to the 2023 Huaneng Group Framework Agreement with respect to the acceptance of the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries, the cap of the aggregate transaction amount for 2023 was set at RMB300 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount for the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries was RMB0. It is estimated that by end of 2023, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2023. According to the “Notice on the Signing and Performance of Medium- and Long-term Power Contracts in 2023 《關於做好2023年電力中長期合同簽訂履約工作的通知》” issued by the National Development and Reform Commission, the State encourages power generation companies to increase their own power generation capacity. At the same time, taking into account the year-on-year decrease in power generation costs of the Company’s coal-fired units in the first half of 2023, in order to increase overall earnings, the Company reduced the overall transaction amount for the provision and acceptance of entrusted sale and related services (including the transaction between connected or non-connected person(s)). As a result, the estimated continuing connected transactions were not carried out as scheduled, leading in the substantial difference between the estimated transaction amount for 2023 and the actual transaction amount of the transactions.

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

LETTER FROM THE BOARD

2024 is estimated to be RMB100 million. Such cap is set based on the factors such as overall business scale of the transaction parties in 2024, the quota for transfer of power generation, transaction rules, transaction volume, transaction prices, service fees, etc. and the reasonable expectation of the transactions by the Company and its subsidiaries. The estimated transaction amount of connected transactions with respect to the provision and acceptance of entrusted sale and related services is estimated and measured based on the estimated electricity volume multiplied by the electricity price (including tax). The estimated aforementioned electricity volume is approximately 1 billion to 2 billion kWh and the aforementioned electricity price shall be varied from RMB0.05 to RMB0.1.

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

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

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

LETTER FROM THE BOARD

(7) *Sale of products and related services*

To be more cost-efficient in management, the Company's subsidiary(ies) will sell products and related services (mainly coal, provision of transportation and port services and other services) to Huaneng Group and its subsidiaries and associates. The prices and charges of coal will be calculated by reference to RMB/ton and the actual weight of carriage, with arm's length terms taking into account the then market conditions, and in any event the terms of the purchases of coal and other related products shall be no less favourable than those offered by independent third parties to the Company for the same or similar type of coal supply and other related products. Pursuant to the 2023 Huaneng Group Framework Agreement, the cap of the aggregate transaction amount with respect to the sale of products and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates for 2023 was set at RMB800 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount (unaudited) for the sale of products and related services by the Company and its subsidiaries and related services to Huaneng Group and its subsidiaries and associates was RMB152 million. It is estimated that by end of 2023, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2023. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the 2023 budget includes transactions that may sell coal to connected persons under specific conditions in order to maintain mutual coordination and support. However, in the past two years, since the supply and demand in the coal market was tense, the Company only provided part of the transportation and port services, but did not sell coal to connected persons, which led to the substantial difference between the estimated transaction amount (in the range of 0.5 million to 1 million tons) and the actual transaction amount in 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the sale of products and related services between the Company and Huaneng Group and its subsidiaries and associates for 2024 is estimated to be RMB1 billion. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms to be agreed by the relevant parties pursuant to the Huaneng Group Framework Agreement. Such estimate of cap amount is based on the demand of coal and transportation and relevant products of the power plants of Huaneng Group and its subsidiaries in 2024 and more favorable pricing by way of bulk purchase. In order to leverage on the advantage of scale procurement, the Company may increase the purchase volume of coal and will not exclude the possibility of re-selling part of the excess portions to power plants of Huaneng Group and its subsidiaries. The estimated cap for 2024, which is still maintained at high level, has also taken into consideration the fact that since the last part of August 2023, coal prices have rebounded rapidly in the off-season due to the increasing safety inspections in the main coal producing regions such as Shanxi, Shaanxi and Inner Mongolia, the suspension and reduction of production in some coal mines, and the decline in coal mine start-up rate. Therefore, while maintaining a stable level of coal sales, the Company raised the estimated

LETTER FROM THE BOARD

transaction amount for sales of products and related services in 2024, taking into account the expected increase in coal prices and the possibility of re-selling the excess coal at increased 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 exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2024 exceeds the above cap (i.e. RMB1 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

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

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

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

LETTER FROM THE BOARD

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

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

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

Pursuant to the provisions of the 2023 Huaneng Group Framework Agreement with respect to the sale of heat products and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates, the cap of the aggregate transaction amount for 2023 was set at RMB400 million. During the period from 1 January 2023 to 31 August 2023, the transaction amount (unaudited) in respect of this category by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates was RMB50 million. It is estimated that by the end of 2023, the actual aggregate transaction amount will not exceed the anticipated transaction amount for 2023. The substantial difference between the estimated amount and the actual transaction amount in 2023 was primarily due to the impact of high temperatures, which resulted in the less than expected demand for heat during the year and hence a significant decrease in the estimated transaction amount of sale of heat products and related services.

According to the Huaneng Group Framework Agreement, the transaction amount with respect to the sale of heat and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2024 is estimated to be RMB300 million. The cap of the transaction amount is based on the expected volume of purchase of heat products and related services by the Huaneng Group and its subsidiaries and associates from the Company and its subsidiaries in 2024, as well as the reasonable expectations of the Company and its subsidiaries for the development of the transaction, and considering at the same time that Huaneng Group and its subsidiaries and related parties can reduce the management and operating costs of the Company and its subsidiaries, thereby improving the Company's operating results.

LETTER FROM THE BOARD

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

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

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

In order to further develop reliable trading counterparts for carbon quota compliance, better complete carbon compliance and reduce carbon trading costs, the Company and the connected persons will conduct transactions with respect to the purchase and sale of carbon emission reduction resources and related services in accordance with the policies and actual needs of different regions. At the same time, the connected persons and the Company and its subsidiaries are able to establish a relatively stable cooperation relationship, which can effectively enhance the ability to cope with market risks.

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

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

LETTER FROM THE BOARD

subsidiaries in 2024, and considering that Huaneng Group and its subsidiaries and related parties can reduce the management and operating costs of the Company and its subsidiaries at the same time, thereby improving the Company's operating results. The reason for the increase in the estimated amount in 2024 is that the transactions are estimated and adjusted based on the Company's actual operating conditions. In addition, after the implementation of the national carbon quota allocation policy for the first two carbon emission compliance cycles, the Company expects that the allocation of free carbon emission quota will gradually become tight, which will in turn lead to the increase in the demand for trading of carbon emission quotas. Taking into account the fact that the quota prices in the national carbon emission trading market will gradually increase, the Company therefore correspondingly raises the estimated transaction amount for 2024 to cope with the expected increase in demand and the prices.

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

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

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

In order to further develop reliable trading counterparts for carbon quota compliance, better complete carbon compliance and reduce carbon trading costs, the Company and the connected persons will conduct transactions with respect to the purchase and sale of carbon emission reduction resources and related services in accordance with the policies and actual needs of different regions. At the same time, the connected persons and the Company and its subsidiaries are able to establish a relatively stable cooperation relationship, which can effectively enhance the ability to cope with market risks.

Pursuant to the 2023 Huaneng Group Framework Agreement regarding the sale of carbon emission reduction resources and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2023, the annual cap of the relevant transaction amount in 2023 is RMB500 million. During the period from 1 January 2023 to 31 August 2023, the aggregate transaction amount for the sale of carbon emission reduction resources and related services to Huaneng Group and its

LETTER FROM THE BOARD

subsidiaries and associates by the Company and its subsidiaries was RMB61 million. It is estimated that by end of 2023, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2023.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the sale of carbon emission reduction resources and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2024 is estimated to be RMB800 million. The cap of the transaction amount is based on the sufficiency of carbon emission reduction resources of the Company and its subsidiaries in 2024 and the reasonable expectation for the development of the transaction and considering that Huaneng Group and its subsidiaries and related parties can reduce the management and operating costs of the Company and its subsidiaries at the same time, thereby improving the Company's operating results. The reason for the increase in the estimated amount in 2024 is that the transactions are estimated and adjusted based on the Company's actual operating conditions, and the estimated increase in carbon trading prices. In addition, after the implementation of the national carbon quota allocation policy for the first two carbon emission compliance cycles, the Company expects that the allocation of free carbon emission quota will gradually become tight, which will in turn lead to the increase in the demand for trading of carbon emission quotas. Taking into account the fact that the quota prices in the national carbon emission trading market will gradually increase, the Company therefore correspondingly raises the estimated transaction amount for 2024 to cope with the expected increase in demand and the prices.

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

(12) *Borrowing trust loans and accepting loans*

Borrowing trust loans is direct borrowing of trust loans by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates without the involvement of any agent bank as an intermediary, whereas accepting loans is primarily organized between Company and its subsidiaries and Huaneng Group and its subsidiaries and associates with a trustee or agent bank acting as an intermediary (entrusted loan), or through the mode of direct transaction. The Huaneng Group Framework Agreement has also included (i) borrowing of trust loans by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates; and (ii) the

LETTER FROM THE BOARD

provision of loans from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries. For reasons as set out in the paragraph below, the trust loans and the loans under the Huaneng Group Framework Agreement are exempted the reporting, announcement and Independent Shareholders' requirements under the Hong Kong Listing Rules. The setting of the cap of the transaction amount (i.e. interest arising from borrowing of the relevant trust loans) of the trust loans to be borrowed and the transaction amount (i.e. the amount of the loans accepted) of the loans received is to comply with the disclosure requirements under the SSE Listing Rules. The cap of the amount of interest arising from the transactions (i.e. interest arising from borrowing of the relevant trust loans) of the trust loans borrowed for 2024 is expected to be RMB800 million and the transaction amount (i.e. the amount of the loans accepted) of the loans received for 2024 is expected to be RMB20 billion or its equivalent in foreign currency (maximum daily balance of the loan).

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

(II) Fairness of the Continuing Connected Transactions and Their Impacts on Independency of the Company

The Huaneng Group Framework Agreement anticipates that the Company and its subsidiaries may from time to time and where circumstances are required enter into, among other things, different reciprocal transactions with connected persons. Such transactions include the provision of entrusted sale and related services to Huaneng Group and its subsidiaries and associates and accept the related services; and the sale to and purchase from Huaneng Group and its subsidiaries and associates certain heat products and related services and carbon emission reduction resources and related services. Given that the Company's power plants are widely distributed in various provinces, autonomous regions and municipalities in the PRC, and depending on the policies of the power markets in the regions where the Company has operations, the Company considers that the reciprocal arrangements are necessary to help minimize market risks and uncertainty. Through such reciprocal arrangements and based on principles of fairness, it can maximize the benefit to the Company and its shareholders as a whole.

The Huaneng Group Framework Agreement is signed on normal commercial terms which are fair and reasonable, with the prices/fees/interests agreed and confirmed by both parties by negotiating and concluding with arm's length terms, taking into account the then prevailing market conditions, and the terms of the relevant agreement and the transactions under such

LETTER FROM THE BOARD

agreements offered to the Company and its subsidiaries by Huaneng Group and its subsidiaries and associates are no less favourable than those available from independent third parties. The Company and its subsidiaries will sign necessary written agreements on specific transactions with Huaneng Group and its subsidiaries and associates within the range set by the above-stated framework agreement according to actual conditions, and pay and/or charge the relevant prices/fees/interests based on the agreed method set forth in the relevant agreements.

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

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

(III) 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 at least two 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

LETTER FROM THE BOARD

terms of the contract; and its understanding of the Company's needs, in order to maximise the Company's interest in the transaction and at the same time reduce the Company's time and costs of transaction;

- for transactions in relation to the purchase of fuel and coal transportation services,
 - (i) the Company has established a dedicated mechanism for information exchange and weekly and monthly information analysis, which mainly consists of: (i) collection of price information, such as pithead prices, listed prices at major coal production localities, inland coal transaction price indices, port price indices, domestic futures indices, global coal prices, and price indices of imported coal; and in addition, information relating to the storage at harbours, the production, transportation and sale of coal, and price indices of freights is also collected as an aid in analysing the trend of the market price. The major information collection channels of the Company include: China Coal Market website 中國煤炭市場網 (<http://www.cctd.com.cn>), China Coal Resources website 中國煤炭資源網 (<http://www.sxcoal.com>), Qinhuangdao Coal website 秦皇島煤炭網 (<http://www.cqcoal.com>) and Qinhuadao Shipping Network 秦皇島海運網 (<http://www.osc.org.cn>), etc.; (ii) the Company has also established the Qinhuangdao distribution centre, which is charged with the monitoring of the daily, weekly and monthly prices of coal based on port and water transportation and related developments; (iii) the Company's branch companies and power plants are charged with collecting information on the market and pithead prices of their own location. In terms of pricing, the Company will issue weekly the guidance procurement price of coal for coastal power plants (based on the market information collected and generally lower than the then prevailing market price), the Company will invite at least three suppliers (including Huaneng Group and its subsidiaries and associates) to provide coal quotations within the range of the guidance procurement price as well as the price for transportation services. The Company shall invite at least three suppliers including Huaneng Group and its subsidiaries and associates to jointly provide quotation on coal within the range of the procurement guidance price. The Company will independently choose and purchase from the best offer according to the market conditions relied upon in developing the Company's procurement strategies. The Company believes that such purchaser-oriented pricing process will lead to an open and transparent market mechanism for competition of coal based on market prices;
 - (ii) the "market conditions" relied upon in developing the Company's procurement strategies can principally be summarised in the following manner: (i) changes in the prices of coal; (ii) aspects on coal transportation, including status on ship transportation at port (e.g. in circumstances where the northern ports such as Qinhuangdao are stranded seriously, the Company will arrange certain coal to be imported), the status on railway transportation (e.g. substantial overhaul of Datong Qinhuangdao railway), the status on road transportation (e.g. where the northern regions are affected by seasonal rain/snow); (iii) production condition (e.g. where major cooperation partners for coal supply or regional coal

LETTER FROM THE BOARD

enterprises experience any safety incidents which may lead to a suspension in coal production or safety checks and hence the coal mine safety inspections may affect domestic coal production or supply of coal regionally, or where the import of coal from coal production areas like Indonesia, Australia, Colombia, South Africa, etc. are affected by incidents of natural disasters, storm, typhoon, etc.); (iv) status on level of inventory (including changes in the inventory at major ports and where power enterprises and coal companies run low in stock; and (v) status on changes in policy. The State has promulgated a number of environmental protection policies and coal industry policies which may have an impact on the volume of coal consumption, the types and quality of coal required by power enterprises. The Company will timely follow and collect latest information on market condition for assessing and formulating the Company's procurement strategies;

- for transactions in relation to leasing of power transmission and transformation assets, the lease by the Company and its subsidiaries of such facilities from Huaneng Group and its subsidiaries and associates is based on arm's length terms. The leasing fee payable is principally to offset the outlay of the supplier's costs, interest payment, operational expenses in maintenance, etc. For transactions in relation to the leasing of land and office spaces, the Company will have regard to the then prevailing market rent for similar types of properties in the nearby locations (which is publicly available information), and/or consult reputable local real estate agents for benchmarks of assessment. Such transactions will be reviewed by the Company's legal department in the legal aspects and approved by the contract management department;
- for transactions in relation to accepting the technical services, engineering contracting services and other services, the Company, at times when there are needs for purchasing transactions, will conduct such transactions according to the relevant procurement management rules with reference to the types of energy transactions, technical indicators and engineering related raw materials required for each of the contracts, and will from time to time obtain at least two quotations from suppliers of scale (excluding Huaneng Group and its subsidiaries and associates), and/or invite tenders from multiple suppliers and/or in certain circumstances make price enquiries in conducting such procurements. According to the Company's procurement policy, in addition to the offer of same or more favourable terms by the counterparty in a transaction, the Company will also consider other factors, including the Company's specific requirements in a transaction, the comparable advantages of the technological expertise of counterparties and the ability of counterparties to perform the contract and to provide follow-up services consequential to completion of a transaction, in order to maximise the Company's interest. As regards the provision of operation/production and related port supportive services, the prices are basically market-driven according to the prevailing market conditions. Nonetheless, the Company will conduct enquiry process by making reference to at least three other contemporaneous transactions with unrelated third parties for similar services to determine if the prices and terms offered by Huaneng Group and its subsidiaries and associates are fair and reasonable and comparable to those offered by independent third parties;

LETTER FROM THE BOARD

- for transactions in relation to the provision of entrusted sale services to Huaneng Group and its subsidiaries and associates, and the acceptance of provision of entrusted sale services from Huaneng Group and its subsidiaries and associates, it is formulated in tandem with the State's electricity system reform policies, substituted power transactions rules, clean energy adoption measures, etc. The transaction cap for each of the above transactions is determined independently according to the operating conditions of the generation units, operating costs, market changes, etc. of the subsidiaries of the Company in areas where they have operations. Through mutual negotiation or trading platforms, the Company will carry out purchase/sale of electricity transactions, substituted electricity transactions and the transaction services in the electricity market in accordance with the principles of fairness and impartiality, so as to realise the maximum benefit for the Company;
- for transactions in relation to sale of products, in principle, the Group Fuel Company (which is 100% owned by the Company) will only sell coal to the Company's power plants. The Company will strictly control the conduct of coal sale transactions between the Group Fuel Company and related power plants. In circumstances where there is a severe shortage in the level of inventory in the power plants, the Company will, on condition that the Company's own power plants are preserved with sufficient coal supply for operation, sell part of the excess coal, as a temporary measure, to related power plants at prices according to the changes in market conditions. The Company will, through the information collection channels mentioned in transaction regarding purchase of fuel and coal transportation services above, with reference to the then market conditions and in conjunction with the costs for coal purchase by the Group Fuel Company, determine the then selling prices, so as to recoup the costs and, on principles of mutual benefit, to have a small profit;
- for the purchase of heat and related services and the sale of heat and related services, the transactions on sale and purchase of heat will be conducted in strict compliance with the management regulations of the Company and the internal control requirements. Meanwhile, the Company will closely monitor the changes in demand and supply in the heat market, collect and analyse the latest market information, and guide the Company to make timely adjustments to volume and price according to the operating scale of the Company and actual situation, so as to maximize the interests of the Company;
- for the purchase of carbon emission reduction resources and related services and the sale of carbon emission reduction resources and related services, the transaction cap for each of the above transactions is determined independently according to the carbon allowance surplus and carbon allowance demand of the subsidiaries of the Company in areas where they have operations, as well as the overall demand for carbon emission reduction resources in the national market. The prices will be determined according to the trend of the publicly listed prices for carbon emission allowances in the national market, and the Company shall strictly follow the relevant requirements of the State's "dual carbon targets", and to conduct the relevant business according to the rules of

LETTER FROM THE BOARD

carbon trading, CCER trading, green certificate trading, etc., so as to realise the reduction of the Company's carbon quota compliance cost, increase the income of emission reduction resources, and realise the maximum benefit of the Company;

- for borrowing trust loans and accepting loans with Huaneng Group and its subsidiaries and associates will be considered in accordance with the Company's management regulations and internal control requirements, combined with the overall capital scale, actual business needs, changes in the capital market and funds available through financial institutions, so as to maximize the Company's interests; and
- the contract management department will strictly review contracts, the contract enforcement department will timely monitor the amount of connected transactions, and the relevant functional departments will supervise the compliance monitoring in production and operation. In addition to the annual review of the performance of specific contracts by the independent non-executive Directors and the Company's auditors, the Company's supervisors will also monitor the working arrangements involved in the Company's continuing connected transactions, and review whether the Company's transactions are fair and conducted at reasonable transaction prices.

(IV) Board's Confirmation

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

The Directors (including the independent non-executive Directors) are of the view that the agreement was 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.

V. RE-APPOINTMENT OF ACCOUNTING FIRM FOR 2024

Reference is made to the Company's announcement dated 11 October 2023 regarding the Re-appointment of Accounting Firm.

The Board proposes to continue to appoint Ernst & Young Hua Ming LLP to be the Company's domestic auditors for 2024, and Ernst & Young to be the Company's Hong Kong auditors for 2024. The total remuneration for 2024 is RMB26.83 million, including internal control audit fees of RMB3.49 million, which shall be subject to appropriate adjustment according to the actual audit scope.

LETTER FROM THE BOARD

The proposal regarding the re-appointment of accounting firm for 2024 shall be submitted to the EGM as an ordinary resolution (being resolution no.3 of the Notice of EGM) for consideration and approval by the Shareholders. No Shareholders are required to abstain from voting in connection with this proposal at the EGM.

VI. CAPITAL INCREASE IN LIAONING QINGNENG COMPANY

Reference is made to the Announcement regarding Capital Increase, full version of which is set out in Appendix II to this circular for information.

As stated on page 11 of the Announcement regarding Capital Increase, the audited net asset of the Target as at 30 June 2023 was described as “[t]he audited net liabilities of the Target Company as at 30 June 2023 was approximately RMB9,845,173,447.21”. The Company would like to clarify that the description should be “[t]he audited net assets of the Target Company as at 30 June 2023 was approximately RMB5,179,837,700”.

Save as disclosed above, all information in the Announcement regarding Capital Increase remains unchanged.

As stated in the Announcement regarding Capital Increase, under Chapter 14A of the Hong Kong Listing Rules, the Capital Increase, if proceeded, will result in the Company’s equity interest in Liaoning Qingneng Company to decrease to approximately 76.86%. The Capital Increase constitutes a deemed disposal of the Company under Rule 14.29 of the Hong Kong Listing Rules.

As the scale of the transaction exceeds 0.1% but does not exceed 5% of the applicable percentage ratios, the Capital Increase does not constitute a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules. The Company is only required to, for purpose of Chapter 14A of the Hong Kong Listing Rules, comply with the reporting and announcement requirements under Rule 14A.76 of the Hong Kong Listing Rules but is exempt from independent shareholders’ approval requirement.

However, according to the SSE Listing Rules, the transaction under the Capital Increase Agreement is subject to shareholders’ approval at general meeting. Accordingly, the proposal regarding the Capital Increase in Liaoning Qingneng Company shall be submitted to the EGM as an ordinary resolution (being resolution no.5 of the Notice of EGM) for consideration and approval by the Independent Shareholders.

VII. THE EGM

The Company will convene an extraordinary general meeting on 5 December 2023 to seek approval from Shareholders on resolutions as set out in the Notice of EGM.

The resolutions set out in the Notice of EGM are not inter-conditional upon each other. All resolutions proposed at the EGM 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. Huaneng Group and its associates (holding an aggregate of 7,235,376,866 ordinary shares in the Company, representing approximately 46.09% of the total issued shares of the Company as at the Latest

LETTER FROM THE BOARD

Practicable Date) will abstain from voting on the resolutions regarding (i) the provision of counter-guarantee (being resolution no.1 of the Notice of EGM); and (ii) the continuing connected transactions (including the relevant proposed respective caps) for 2024 contemplated under the Huaneng Group Framework Agreement (being resolution no.2 of the Notice of EGM); (iii) the re-appointment of accounting firm for 2024 (being the resolution no.3 of the Notice of EGM) (iv) the continuing connected transactions involved in the Similar REITs (Laiwu Power Generation Project) (being resolution no.4 of the Notice of EGM) and (v) the connected transaction of capital increase of Liaoning Qingneng Company (being resolution no.5 of the Notice of EGM) at the EGM. Save as disclosed, no shareholders are required to abstain from voting in connection with the other matters to be resolved at the EGM.

Notice of EGM, is set out on pages III-1 to III-3 of the circular. Whether or not you intend to attend the meeting in person, you are requested to complete and return the enclosed reply slip and the form of proxy in accordance with the instructions printed thereon. The form of proxy should be completed and returned to the H Shares Registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish. If you attend and vote at the EGM in person, the authority of your proxy will be deemed to have been revoked.

VIII. RECOMMENDATIONS

Your attention is also drawn to the letter from the Independent Board Committee to the Independent Shareholders of the Company, which is set out on pages 40 to 41 of this circular, and which contains their recommendation in respect of the transaction relating to the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective caps) contemplated under the Huaneng Group Framework Agreement.

The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of 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 caps) contemplated under the Huaneng Group Framework Agreement, and whether such transactions are in the interests of the Company and its Shareholders as a whole is set out on pages 42 to 54 of this circular.

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that 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 caps) contemplated under the Huaneng Group Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that such transactions are in the interests of the Company and its Shareholders as a whole. Accordingly, it recommends that the Independent Shareholders vote in favour of the resolutions regarding the continuing connected transactions (including the relevant caps) for 2024 contemplated under the Huaneng Group Framework Agreement at the EGM.

LETTER FROM THE BOARD

The Directors consider that the ordinary resolutions set out in the Notice of EGM are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favour of all resolutions to be proposed at the EGM as set out in the Notice of the EGM.

IX. OTHER INFORMATION

Your attention is drawn to the other information set out in the appendices to this circular.

Yours faithfully
By order of the Board
Huaneng Power International, Inc.
Huang Chaoquan
Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

Registered office:
Huaneng Building
6 Fuxingmennei Street
Xicheng District
Beijing 100031
The People's Republic of China

20 October 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER THE HUANENG GROUP FRAMEWORK AGREEMENT

We, the Independent Board Committee of Huaneng Power International, Inc. (the “**Company**”), are advising the Independent Shareholders in connection with the transaction 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, details of which are set out in the letter from the Board contained in the circular (“**Circular**”) of the Company to the Shareholders dated 20 October 2023, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Under the Hong Kong Listing Rules, 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 constitute continuing connected transactions to the Company. Accordingly, the conduct of the transaction 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 will require the approval of the Independent Shareholders at the EGM.

We wish to draw your attention to the letter of advice from Gram Capital set out on pages 42 to 54 of the Circular. We have discussed the letter and the opinion contained therein with Gram Capital.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, inter alia, the factors and reasons considered by, and the opinion of, Gram Capital, as stated in its aforementioned letter, we consider 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 are:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms (on arm's length basis or on terms no less favourable than those offered to the Company by independent third parties); and
- (3) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the relevant ordinary resolutions regarding the continuing connected transactions (including the relevant proposed respective caps) for 2024 contemplated under the Huaneng Group Framework Agreement set out in the Notice of the EGM to be proposed at the EGM to be held on 5 December 2023.

Yours faithfully,

Xu Mengzhou, Liu Jizhen, Xu Haifeng, Zhang Xianzhi and Xia Qing
Independent Non-Executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

20 October 2023

*To: The independent board committee and the independent shareholders
of Huaneng Power International, Inc.*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions regarding the purchase of fuel and transportation services contemplated under the Huaneng Group Framework Agreement (including the annual cap) (the “**Purchase of Fuel and Transportation Transactions**”); and (ii) the transactions regarding accepting the technical services, engineering contracting services and other services contemplated under the Huaneng Group Framework Agreement (including the annual cap) (the “**Purchase of Technical and Engineering Contracting Transactions**”, together with the Purchase of Fuel and Transportation Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 October 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 October 2023, the Company entered into the Huaneng Group Framework Agreement with Huaneng Group, its ultimate controlling shareholder, for a term commencing on 1 January 2024 and expiring on 31 December 2024. Pursuant to the Huaneng Group Framework Agreement, the Company and its subsidiaries will, among other things, (i) purchase fuel and transportation services from Huaneng Group and its subsidiaries and associates; and (ii) accept technical services, engineering contracting services and other services from Huaneng Group and its subsidiaries and associates

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Xu Mengzhou, Mr. Liu Jizhen, Mr. Xu Haifeng, Mr. Zhang Xianzhi and Mr. Xia Qing (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are fair and reasonable and on normal commercial terms; and (ii) whether the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was/is engaged as the independent financial adviser to the Company's independent board committee and independent shareholders in respect of (i) continuing connected transactions (details of which were set out in the Company's circular dated 1 November 2021); (ii) discloseable transaction and continuing connected transactions (details of which were set out in the Company's circular dated 6 December 2021); (iii) (a) discloseable and connected transactions; and (b) continuing connected transactions (details of which were set out in the Company's circular dated 16 December 2022); and (iv) continuing connected transactions (details of which were set out in the Company's announcement dated 10 October 2023). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 13.84 of the Hong Kong Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements and will not affect our independence to act as the Independent Financial Advisers, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the

LETTER FROM GRAM CAPITAL

Transactions. We consider that we have taken sufficient and necessary steps (such as obtaining the Huaneng Group Framework Agreement, reviewing terms of the Purchase of Fuel and Transportation Transactions and the Purchase of Technical and Engineering Contracting Transactions; and analysis on the Company's estimated figures in relation to the Purchase of Fuel and Transportation Transactions and the Purchase of Technical and Engineering Contracting Transactions) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters omitted which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Huaneng Group, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Business overview of the Group

With reference to the Board Letter, 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 131,511MW as at 30 September 2023.

LETTER FROM GRAM CAPITAL

Information on Huaneng Group

With reference to the Board Letter, 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.

A. THE PURCHASE OF FUEL AND TRANSPORTATION TRANSACTIONS

Reasons for and benefits of the Purchase of Fuel and Transportation Transactions

With reference to the Board Letter, the Company's main fuel for power generation is coal. 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. Upon our further enquiry, the Directors advised us that Huaneng Group has been providing fuel and transportation services to the Group for over 10 years. 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.

Fuel cost represents the Group's major component of operating expenses for power generation and coal is the major component of the Group's fuel cost. According to the Company's interim report for the six months ended 30 June 2023 ("1H2023") (the "2023 Interim Report") and annual report for the year ended 31 December 2022 ("FY2022") (the "2022 Annual Report"), fuel cost of the Group amounted to approximately RMB77.5 billion for 1H2023 and approximately RMB170.5 billion for FY2022, accounting for approximately 68.4% and 68.8% of the total operating expenses of the Group for 1H2023 and FY2022 respectively. Thus, it is important for the Group to ensure stable coal supply and control fuel cost and quality at a reasonable level.

As also confirmed by the Directors, as the Purchase of Fuel and Transportation Transactions are entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Hong Kong Listing Rules, if necessary. Accordingly, the Directors are of the view that the Purchase of Fuel and Transportation Transactions will be beneficial to the Company and the Shareholders as a whole.

Having considered the reasons and benefits of the Purchase of Fuel and Transportation Transactions as mentioned above, we are of the view that the Purchase of Fuel and Transportation Transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

Principal terms of the Purchase of Fuel and Transportation Transactions

Set out below are the principal terms of the Purchase of Fuel and Transportation Transactions, details of which are set out under the section headed “Purchase of fuel and transportation services” of the Board Letter.

Date of agreement

10 October 2023

Term

From 1 January 2024 to 31 December 2024

Subject matter and pricing policy

Pursuant to the Huaneng Group Framework Agreement, the Company and its subsidiaries will purchase fuel and 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.

With reference to the Board Letter, 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. Details of the internal control measures are set out under the section headed “MEASURES TO SAFEGUARD THE INTEREST OF THE INDEPENDENT SHAREHOLDERS” of the Board Letter. Having considered that (i) the Company has established a dedicated mechanism for information exchange and weekly and monthly information analysis; and (ii) 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 (which was issued by the Company weekly and based on the market information collected and generally lower than the then prevailing market price), we are of the view that the effective implementation of the internal control procedures can help to ensure fair pricing of the Purchase of Fuel and Transportation Transactions.

Proposed annual caps

Set out below are (i) historical amount of the Purchase of Fuel and Transportation Transactions for the eight months ended 31 August 2023 with existing annual cap for the year ending 31 December 2023; and (ii) the proposed annual cap for the year ending 31 December 2024 (the “**Purchase of Fuel and Transportation Cap**”):

LETTER FROM GRAM CAPITAL

**For the year ending
31 December 2023
("FY2023")
RMB' billion**

Existing annual cap	120.9
Historical amount	54.184
	<i>(Note)</i>

**For the year ending
31 December 2024
("FY2024")
RMB' billion**

Purchase of Fuel and Transportation Cap	115.0
---	-------

Note: the figure was for the eight months ended 31 August 2023.

Detailed bases for the determination of Purchase of Fuel and Transportation Cap were set out under the section headed "Purchase of fuel and transportation services" of the Board Letter. The Purchase of Fuel and Transportation Cap for FY2024 is close to the existing annual cap for FY2023.

Upon our request, we obtained the calculation for the Purchase of Fuel and Transportation Cap. The total estimated demand of Purchase of Fuel and Transportation Transactions for FY2024 was approximately the same as the Purchase of Fuel and Transportation Cap.

Pursuant to the calculation, (i) the total estimated demand of coal; and (ii) the total estimated demand of fuel transportation services for FY2024 accounted for approximately 97% and approximately 3% to the total estimated demand of Purchase of Fuel and Transportation Transactions for FY2024 respectively.

To assess the fairness and reasonableness of the estimated demand of coal for FY2024, we performed the following analyses:

Upon our request, the Directors advised us (i) the estimated coal price of raw coal; and (ii) the estimated quantity of raw coal to be purchased by the Group from Huaneng Group and its subsidiaries and associates for FY2024.

Coal price

We noted that the estimated average raw coal price of the Group for FY2024 was approximately 26% higher than the average raw coal price of the Group for 1H2023. As advised by the Directors, such increase was mainly based on the recent increase in coal price since 30 June 2023.

LETTER FROM GRAM CAPITAL

We searched on Wind Financial Terminal and noted that the CCTD Qinhuangdao Thermal Coal Spot Price (Q4500K) (Q5000K) (Q5500K) were (i) RMB620/ton, RMB720/ton and RMB821/ton respectively as at 30 June 2023; and (ii) RMB750/ton, RMB878/ton and RMB981/ton respectively as at 28 September 2023 (being the latest available information immediately before the date of Huaneng Group Framework Agreement). The implied respective increases in CCTD Qinhuangdao Thermal Coal Spot Price (Q4500K) (Q5000K) (Q5500K) as at 28 September 2023 were approximately 21%, 22% and 19% as compared to those as at 30 June 2023.

As the increase in estimated raw coal price for FY2024 as compared to the average raw coal price for 1H2023 was not deviated from the change of CCTD Qinhuangdao Thermal Coal Spot Price (Q4500K) (Q5000K) (Q5500K) as analysed above, we consider the estimated raw coal price for FY2024 to be reasonable.

Coal quantity

Based on the historical raw coal purchased quantity as provided by the Company, we noted that the estimated quantity of coal purchased by the Group from Huaneng Group for FY2024, representing a decrease of approximately 2.1% to the quantity of coal purchased by the Group from Huaneng Group for FY2022. The aforesaid decrease rate of approximately 2.1% was not deviated from the decrease rate of approximately 2.6% in raw coal purchased by the Group from Huaneng Group for FY2022 as compared to that for the year ended 31 December 2021 (“FY2021”). As also advised by the Directors, the estimated decrease in the purchase of raw coal was mainly due to the increase in the proportion of new energy power generation. We also noted that the proportion of power generated by coal-fired to power generated by all types of the Group decreased from approximately 86% for FY2022 to approximately 83% for 1H2023.

Based on the above, we are of the view that the estimated quantity of raw coal to be purchased by the Group from Huaneng Group and its subsidiaries and associates for FY2024 is justifiable.

Having considered that (i) the estimated purchase price of raw coal for FY2024 is reasonable; (ii) the estimated quantity of raw coal to be purchased by the Group from Huaneng Group and its subsidiaries and associates for FY2024 is justifiable; and (iii) the total estimated demand of coal accounted for approximately 97% to the total estimated demand of Purchase of Fuel and Transportation Transactions for FY2024, we are of the view that the total estimated demand of coal and fuel transportation services for FY2024 is justifiable. Accordingly, we are of the view that the Purchase of Fuel and Transportation Cap for FY2024 is fair and reasonable.

Shareholders should note that as the Purchase of Fuel and Transportation Cap is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of cost to be incurred from the Purchase of Fuel and Transportation Transactions. Consequently, we express no opinion as to how closely the actual amount to be incurred from the Purchase of Fuel and Transportation Transactions will correspond with the Purchase of Fuel and Transportation Cap.

LETTER FROM GRAM CAPITAL

In light of the above, we consider that the terms of the Purchase of Fuel and Transportation Transactions (including the Purchase of Fuel and Transportation Cap) are on normal commercial terms and are fair and reasonable.

B. THE PURCHASE OF TECHNICAL AND ENGINEERING CONTRACTING TRANSACTIONS

Reasons for and benefits of the Purchase of Technical and Engineering Contracting Transactions

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

As also confirmed by the Directors, as the Purchase of Technical and Engineering Contracting Transactions are entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Hong Kong Listing Rules, if necessary. Accordingly, the Directors are of the view that the Purchase of Technical and Engineering Contracting Transactions will be beneficial to the Company and the Shareholders as a whole.

Having considered the reasons and benefits of the Purchase of Technical and Engineering Contracting Transactions as mentioned above, we are of the view that the Purchase of Technical and Engineering Contracting Transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Principal terms of the Purchase of Technical and Engineering Contracting Transactions

Set out below are the principal terms of the Purchase of Technical and Engineering Contracting Transactions, details of which are set out under the section headed “Accepting the technical services, engineering contracting services and other services” of the Board Letter.

LETTER FROM GRAM CAPITAL

Date of agreement

10 October 2023

Term

From 1 January 2024 to 31 December 2024

Subject matter

Accepting the technical services, engineering contracting services and other services between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates mainly includes the provision of fuel management service relevant to power plants, maintenance services for power plants' monitoring systems, real-time consolidation of project data, trial run of generating units, supervision of manufacture of facilities, contracting of construction works in progress and insurance services by Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries.

Pricing policy

Pursuant to the Huaneng Group Framework Agreement and with reference to the Board Letter, 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. 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.

With reference to the Board Letter, 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 internal control measures, 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. Details of the internal control measures are set out under the section headed "MEASURES TO SAFEGUARD THE INTEREST OF THE INDEPENDENT SHAREHOLDERS" of the Board Letter. Having considered that (i) there will be quotation procedures and/or invite tender; and (ii) comprehensive consideration will be made by the Company in addition to the offer of same or more favourable terms by the counterparty in a transaction, we are of the view that the effective implementation of the internal control procedures can help to ensure fair pricing of the Purchase of Technical and Engineering Contracting Transactions.

LETTER FROM GRAM CAPITAL

Proposed annual caps

Set out below are (i) historical amount of the Purchase of Technical and Engineering Contracting Transactions for the eight months ended 31 August 2023 with existing annual cap for FY2023; and (ii) the proposed annual cap for FY2024 (the “**Purchase of Technical and Engineering Contracting Cap**”):

**For the year ending
31 December 2023**

RMB’billion

Existing annual cap	9.5
Historical amount	1.134
	<i>(Note)</i>

**For the year ending
31 December 2024**

RMB’billion

The Purchase of Technical and Engineering Contracting Cap	8.4
---	-----

Note: the figure was for the eight months ended 31 August 2023.

Detailed bases for the determination of proposed annual cap were set out under the section headed “Accepting the technical services, engineering contracting services and other services” of the Board Letter.

As advised by the Directors, when determining the proposed annual cap, they mainly took into account (i) the estimated demand of new energy project construction services under the Purchase of Technical and Engineering Contracting Transactions for FY2024 (i.e. approximately RMB2.3 billion) (the “**Estimated Demand of New Energy Project Construction Services**”); and (ii) the estimated demand of other services under the Purchase of Technical and Engineering Contracting Transactions (the “**Other Services**”) for FY2024 (i.e. approximately RMB6.1 billion).

The Directors advised us that the majority amounts of the transactions relating to the Other Services were normally recorded in the fourth quarter of such year due to the nature of the Purchase of Technical and Engineering Contracting Transactions,. Therefore, when determining the proposed annual cap, the Directors took into account the estimated demand of Other Services for FY2023 (i.e. RMB4.7 billion) instead of the historical transaction amount of the Other Services for the eight months ended 31 August 2023.

To examine this point, we summarised the historical amounts of the Purchase of Technical and Engineering Contracting Transactions for nine months ended 30 September 2020 and 2021; and for the year ended 31 December 2020 and 2021 as follows (Note: as advised by the Directors, figures for

LETTER FROM GRAM CAPITAL

FY2022 were not considered as the impact of COVID-2019 may distort the results, evidenced by that the utilisation rate of annual cap for FY2022 was approximately 56.8% whereas utilisation rate of annual caps for FY2020 and FY2021 were approximately 98% and 88% respectively):

	FY2020		FY2021	
	<i>RMB'billion</i>	<i>Proportion</i>	<i>RMB'billion</i>	<i>Proportion</i>
Historical amounts for the first nine months	0.927	52%	1.516	59%
Historical amounts for the last three months	0.844	48%	1.048	41%
Historical amounts for the year	1.771	100%	2.564	100%
Annual caps	1.8		2.9	
Actual amounts	1.771		2.564	
Utilisation rates	98%		88%	

Source: Company's previous announcements and annual reports

Note: as advised by the Directors, the Estimated Demand of New Energy Project Construction Services was first considered in 2022 as one of the bases for determining proposed annual cap for the year after.

Based on the above table, for FY2020 and FY2021, the majority of historical amounts of the Purchase of Technical and Engineering Contracting Transactions (i.e. demand of Other Services) were recorded in the fourth quarter of such year. Having also considered (i) the high utilisation rates of the annual caps for the two years ended 31 December 2021; and (ii) the Estimated Demand of New Energy Project Construction Services was first considered in 2022 as one of the bases for determining proposed annual cap for the year after, we are of the view that it is justifiable to determine the estimated demand of Other Services for FY2024 with reference to the estimated demand of Other Services for FY2023 (i.e. RMB4.7 billion) instead of the historical transaction amount of Other Services for the eight months ended 31 August 2023.

The estimated demand of Other Services for FY2024 (i.e. approximately RMB6.1 billion) represented an increase of approximately 29.8% as compared to the estimated demand of Other Services for FY2023. Having considered that the Group recorded an increase of approximately 45% in historical transaction amounts for FY2021 as compared to FY2020, we consider the aforesaid increase of approximately 29.8% to be justifiable.

Accordingly, we consider the estimated demand of Other Services for FY2024 of approximately RMB6.1 billion for FY2024 to be justifiable.

With reference to the Board Letter, the Company expected to increase 10GW of new energy installed capacity in 2024. The Estimated Demand of New Energy Project Construction Services for FY2024 (i.e. approximately RMB2.3 billion) was determined by the Company's subsidiaries after considering the capacity of members of Huaneng Group (as service supplier) and preliminary discussion between the subsidiaries and members of Huaneng Group. The Company's subsidiaries assumed that the members of Huaneng Group were able to undertake around 10% of the new energy project construction works. We also obtained cost of different types of new energy projects and noted that the

LETTER FROM GRAM CAPITAL

implied estimated amount was approximately RMB2.2 billion. Accordingly, we are of the view that the Estimated Demand of New Energy Project Construction Services for FY2024 (i.e. approximately RMB2.3 billion) is justifiable.

Based on the above factors, we are of the view that the Purchase of Technical and Engineering Contracting Cap for FY2024 is fair and reasonable.

Shareholders should note that as the Purchase of Technical and Engineering Contracting Cap is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of cost to be incurred from the Purchase of Technical and Engineering Contracting Transactions. Consequently, we express no opinion as to how closely the actual amount to be incurred from the Purchase of Technical and Engineering Contracting Transactions will correspond with the Purchase of Technical and Engineering Contracting Cap.

In light of the above, we consider that the terms of the Purchase of Technical and Engineering Contracting Transactions (including the Purchase of Technical and Engineering Contracting Cap) are on normal commercial terms and are fair and reasonable.

HONG KONG LISTING RULES IMPLICATION

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the Transactions must be restricted by the relevant annual caps (if applicable); (ii) the terms of the Transactions (together with the proposed annual caps, where applicable) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transactions (together with the proposed annual caps, where applicable) must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps (where applicable).

In the event that the value of the Transactions is anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Transactions are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST

(a) Directors and Supervisors of the Company

As at the Latest Practicable Date, none of the Directors, chief executive or supervisors of the Company has interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director, chief executive or supervisor of the Company) had an interest or short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of any other member of the Company:

Name of shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate	Approximate	Approximate
				percentage of shareholding in the Company's total issued share capital	percentage of shareholding in the Company's total issued domestic shares	percentage of shareholding in the Company's total issued H Shares
Huaneng International Power Development Corporation (Note 2)	Domestic shares	5,066,662,118(L)	Beneficial owner	32.28%(L)	46.07%(L)	—

Name of shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued domestic shares	Approximate percentage of shareholding in the Company's total issued H Shares
China Huaneng Group Co., Ltd. (Note 3)	Domestic shares	1,555,124,549(L)	Beneficial owner	9.91%(L)	14.14%(L)	—
China Huaneng Group Co., Ltd. (Note 4)	H Shares	603,596,000(L)	Beneficial owner	3.84%(L)	—	12.84%(L)
上海睿郡資產管理有限公司	H Shares	378,846,000(L)	Investment manager	2.41%(L)	—	8.06%(L)

Note:

- (1) The letter “L” denotes a long position. The letter “S” denotes a short position. The letter “P” denotes interest in a lending pool.
- (2) As of the Latest Practicable Date, Huaneng Group holds 75% direct interests and 25% indirect interests in HIPDC.
- (3) Of the 1,555,124,549 domestic shares, Huaneng Group Co., Ltd. through its controlling subsidiary, Huaneng Finance held 9,994,199 domestic shares.
- (4) Huaneng Group held 472,000,000 H shares through its wholly owned subsidiary, Hua Neng Group HK, and 131,596,000 H shares through its indirect wholly-owned subsidiary, Huaneng Treasury.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, supervisors and senior executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as at the Latest Practicable Date as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no Director or supervisor is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Directors

- (i) Mr. Wang Kui is an assistant to the President of Huaneng Group;
- (ii) Mr. Lu Fei is the Deputy Chief Economist of Huaneng Group; and

Supervisors

(iii) Mr. Xia Aidong is the director of Audit Department of Huaneng Group.

3. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or business position of the Company and its subsidiaries since 31 December 2022, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any material litigation or arbitration and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company and its subsidiaries.

5. EXPERT'S QUALIFICATION AND CONSENTS

The following expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, reports or statements and references to its name and logo in the form and context in which they are included:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO

As at the Latest Practicable Date, Gram Capital has given its consent and has not withdrawn its consent to the publication of this circular, including the inclusion of its letter and references to its name in the form and context in which it appears.

To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, the above-mentioned expert was not beneficially interested in the share capital of the Company and its subsidiaries nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the Latest Practicable Date, each of the above mentioned experts did not have any direct or indirect interest in any assets which had since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or its subsidiaries which does not expire or is not terminable by the Company or its subsidiaries within one year without payment of compensation, other than statutory compensation.

7. INTERESTS OF DIRECTORS OR SUPERVISORS IN THE ASSETS OR CONTRACTS OF THE COMPANY AND ITS SUBSIDIARIES

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any interest in any assets which had since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

As at the Latest Practicable Date, none of the Directors or supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Company.

8. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates has interests in the businesses, other than being a Director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company (required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules should they be controlling shareholders).

9. MISCELLANEOUS

- (a) Mr. Huang Chaoquan is the Company Secretary and Board Secretary of the Company.
- (b) The legal address of the Company is Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, PRC. The H Share registrar of the Company in Hong Kong is Hong Kong Registrars Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) In the case of any discrepancy, the English text of this circular and form of proxy shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

A copy of the following documents are published on the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's own website (<http://www.hpi.com.cn>) for a period of 14 days from the date of this circular:

- (a) Counter-Guarantee Contract;

- (b) 2023 Huaneng Group Framework Agreement; and
- (c) Huaneng Group Framework Agreement.



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 DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

The Target Company plans to introduce a strategic investor in order to reduce the asset-liability ratio and to improve the internal governance structure. The Company proposes to enter into the Capital Increase Agreement with the Target Company and Huaneng Gongrong Fund in relation to the Capital Increase of RMB1.5 billion.

Upon completion of the Capital Increase, the registered capital of the Target Company will increase from RMB4,251,592,800 to approximately RMB5,531,343,100. The equity interest in the Target Company held by the Company and Huaneng Gongrong Fund will be approximately 76.86% and 23.14%, respectively. The Company will continue to be the controlling shareholder of the Target Company and the financial results of the Target Company will continue to be consolidated into those of the Company.

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 state-owned centralized enterprise mainly engaged in the operation of the power industry, which is supervised and managed by the SASAC. Huaneng Group also holds a 9.91% direct interest in the Company and holds a 3.01% indirect interest in the Company through its wholly-owned subsidiary Huaneng HK, a 0.84% indirect interest in the Company through Huaneng Treasury, its indirect wholly-owned subsidiary, and a 0.06% indirect interest in the Company through its controlling subsidiary Huaneng Finance. The fund manager of Huaneng Gongrong Fund is Huaneng Invesco, which is an indirectly owned subsidiary of Huaneng Group. Being a limited partner shareholder of Huaneng Gongrong Fund, Huaneng Group also holds 50.975% limited partnership interest in the Huaneng Gongrong Fund. The financial results of the Huaneng Gongrong Fund were consolidated into those of Huaneng Group.

Under Chapter 14A of the Listing Rules, Huaneng Gongrong Fund is a connected person of the Company while the Capital Increase constitutes a connected transaction for the Company. As the Capital Increase will result in decreasing the Company's shareholding to approximately 76.86% and the Target Company will become a connected subsidiary of the Company. The Capital Increase constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

As the scale of the transaction exceeds 0.1% but does not exceed 5% of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules, the Capital Increase does not constitute a discloseable transaction under Chapter 14 of the Listing Rules. The Company is only required to comply with the reporting and announcement requirement but is exempt from independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

According to the listing rules requirements of SSE, the Capital Increase is subject to the approval of the shareholders' general meeting. Accordingly, the Company will convene and hold a general meeting for its independent shareholders to, among others, consider and approve the Capital Increase. Subject to the approval of the shareholders' general meeting, if the Capital Increase is approved and the Capital Increase Agreement is signed, the Company will make a further announcement in compliance with the Listing Rules.

A circular containing, among others, (1) the Capital Increase and (2) a notice of the shareholders' general meeting will be despatched to shareholders as soon as practicable.

Shareholders and potential investors should note that the Capital Increase is subject to the fulfilment of certain conditions and approval by the general meeting before it can be realized, and the Capital Increase may not be implemented. There is no guarantee that the Capital Increase will take place. Shareholders and potential investors are advised to exercise caution when buying and selling the Company's shares.

I. INTRODUCTION

The Target Company plans to introduce a strategic investor in order to reduce the asset-liability ratio and to improve the internal governance structure. The Company proposes to enter into the Capital Increase Agreement with the Target Company and Huaneng Gongrong Fund in relation to the Capital Increase of RMB1.5 billion (of which approximately RMB1,279,750,300 will be accounted for as the registered capital of the Target Company).

Upon completion of the Capital Increase, the registered capital of the Target Company will be increased from RMB4,251,592,800 to approximately RMB5,531,343,100. The equity interest in the Target Company held by the Company and Huaneng Gongrong Fund will be approximately 76.86% and 23.14%, respectively. The shareholding percentage is primarily determined based on the valuation of the Target Company on the basis date, and is to be adjusted with profit and loss based on changes in net assets between the basis date and the signing date of the Capital Increase Agreement. Upon the completion of the Capital Increase, the Company will continue to be the controlling shareholder of the Target Company and the financial results of the Target Company will continue to be consolidated into those of the Company.

II. RELATIONSHIP BETWEEN THE COMPANY AND HUANENG GROUP

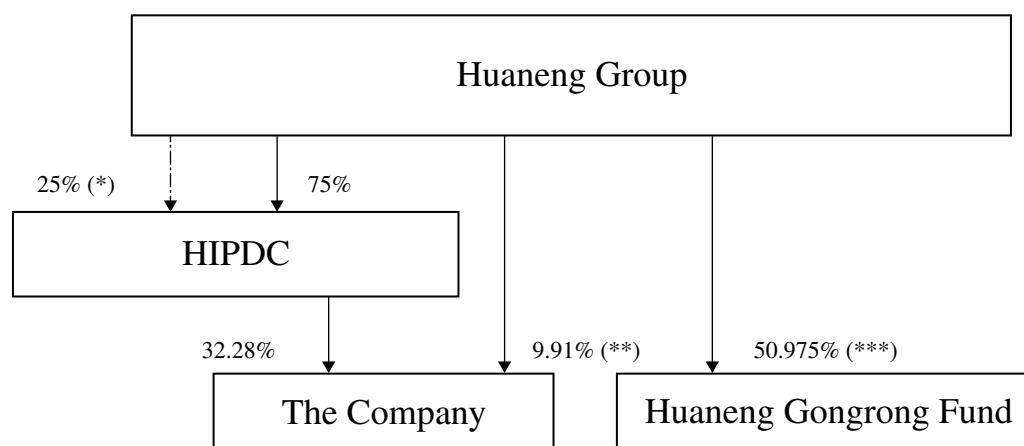
The Company and its subsidiaries mainly develop, construct, operate and manage power plants in China nationwide. It is one of the largest listed power producers in China. As of 30 June 2023, the controlled generation capacity is 129,995 MW.

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 state-owned centralized enterprise mainly engaged in the operation of the power industry, which is supervised and managed by the SASAC. Huaneng Group also holds a 9.91% direct interest in the Company and holds a 3.01%

indirect interest in the Company through its wholly-owned subsidiary Huaneng HK, a 0.84% indirect interest in the Company through Huaneng Treasury, its indirect wholly-owned subsidiary, and a 0.06% indirect interest in the Company through its controlling subsidiary Huaneng Finance. The fund manager of Huaneng Gongrong Fund is Huaneng Invesco, which is an indirectly owned subsidiary of Huaneng Group. Being a limited partner shareholder of Huaneng Gongrong Fund, Huaneng Group also holds 50.975% limited partnership interest in Huaneng Gongrong Fund. The financial results of Huaneng Gongrong Fund were consolidated into those of Huaneng Group.

Huaneng Gongrong Fund is an equity finance tool set up by Huaneng Group with the introduction of external investment ICBC Financial Asset Investment Co., Ltd., with Huaneng Invesco, a subsidiary of Huaneng Capital, as the fund manager. Huaneng Group holds a 61.22% interest in Huaneng Capital. Huaneng Gongrong Fund is mainly engaged in investing in unlisted enterprises, investing in non-public offering of shares of listed companies and relevant consulting services.

As at the date of the publication of this announcement, the relationship between the Company and Huaneng Gongrong Fund is as follows:



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

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

*** The fund manager of Huaneng Gongrong Fund is Huaneng Invesco, which is an indirectly owned subsidiary of Huaneng Group. Huaneng Group also holds 50.975% limited partnership interest in Huaneng Gongrong Fund; therefore, the financial results of the Huaneng Gongrong Fund were consolidated into those of Huaneng Group.

Under the Listing Rules, Huaneng Group is a connected person of the Company and Huaneng Gongrong Fund is an associate of Huaneng Group. Pursuant to the relevant requirements of the Listing Rules, the Capital Increase constitutes a connected transaction of the Company and is subject to the relevant disclosure requirements and/or to obtain approval from independent shareholders under the Listing Rules.

III. CAPITAL INCREASE AGREEMENT

The principal terms of the proposed Capital Increase Agreement are set out below:

Parties to the agreement

- (i) the Target Company
- (ii) Huaneng Gongrong Fund
- (iii) the Company

Consideration, payment method and duration

Huaneng Gongrong Fund shall pay RMB1.5 billion to the Target Company as consideration for the transfer of approximately 23.14% equity interest in the Target Company (the final shareholding percentage to be adjusted with the profit or loss based on changes in net assets between the basis date and the signing date), of which approximately RMB1,279,750,300 will be accounted for as the registered capital of the Target Company. The final amount of the increased registered capital will be calculated based on the valuation of entire equity interests of the Target Company with the adjustment of the change in the net assets of the Target Company from the basis date to the signing date of the Capital Increase Agreement, and the remaining amount will be accounted for as the capital reserve of the Target Company. The specific payment time and amount of each capital increase payment by Huaneng Gongrong Fund to the Target Company shall be determined by the “**Notice of Payment**” provided by the Target Company, the confirmation letter of the prerequisite conditions for the paid-in capital contribution to be provided by the Target Company and the Company, the proof of use of the capital and other written certification documents as required by Huaneng Gongrong Fund, and determined after examination and approval by Huaneng Gongrong Fund. The parties confirm that the total number of payments of the Capital Increase from Huaneng Gongrong Fund shall not exceed 6 times, and the latest date of payment of Capital Increase to the Target Company shall be no later than 28 December 2023.

Closing and registration of shareholding changes

Within seven (7) working days from the date on which all the conditions precedents set out in the Capital Increase Agreement have been satisfied, the Target Company shall issue Huaneng Gongrong Fund a capital contribution certificate and shareholder register signed by the legal representative of the Target Company which shall be stamped with the official seal of the Target Company and reflecting the Capital Increase. The Target Company shall submit all registration materials related to the Capital Increase, including all changes, to the relevant administrative authorities for industry and

commerce within sixty (60) working days from the date when all the capital from Huaneng Gongrong Fund are injected into the designated account assigned and held by the Target Company. The Target Company shall also complete the registration of relevant industrial and commercial changes such as registered capital, shareholders, articles of association, supervisors, etc., and obtain a new business operation license.

Transition period

The Target Company undertakes that the Target Company shall and the Company shall procure the Target Company to continue its business in a reasonable and normal manner during the transition period.

Conditions precedent for effectiveness

The Capital Increase Agreement shall take effect on the date when the legal representative or authorized agent of each party to the agreement appoints a representative or authorized agent to sign or stamp and with the official stamp.

Liability for breach of contract

If any party breaches the Capital Increase Agreement and causes the other party, its affiliates, officers, directors, agents or employees (“**Indemnified Persons**”) to incur or pay any costs or expenses, liabilities or suffer any losses or damages, the breaching party shall indemnify, defend and hold harmless the Indemnified Persons from and against any such costs, expenses, liabilities, losses or damages (including but not limited to losses caused by a reduction in the value of the Target Company to the shareholders of the Target Company resulting from the breach).

According to the listing rules requirements of the SSE, the Capital Increase is subject to the approval of the shareholders’ general meeting.

IV. EVALUATION AND PRICING OF THIS TRANSACTION

In accordance with the “Asset Valuation Report on entire equity interest of Huaneng Liaoning Clean Energy Co., Ltd. in relation to the proposed Capital Increase” (Report (2023) No. [A10001-1]), with 30 June 2023 as the basis date, with the valuation results using the income approach as the evaluation conclusions, and the par value of the owner’s equity interest (net assets) of the holding company of the Target Company was RMB4,347,261,900. The valuation conclusion was RMB4,983,307,500, and the valuation appreciation was RMB636,045,600, with an appreciation rate of 14.63%.

The Capital Increase is based on the above valuation conclusion as filed by Huaneng Group, the valuation result is used as the consideration for holding approximately 23.14% equity interest in the Target Company, i.e. RMB1.5 billion, after being negotiated and agreed by all parties to the Capital Increase Agreement. The final shareholding percentage is to be adjusted with the profit or loss based on changes in net assets between the basis date and the signing date of the Capital Increase Agreement.

Valuation assumptions:**1. Basic assumptions****1. Assumption for Continuing Operation**

That is, after the valuation purpose is realized, which is entrusted for appraisal will continue to be used in accordance with the original purpose and continue to produce the original products or similar products. The operation of the Target Company and the benefit distribution with affiliated enterprises shall remain unchanged.

2. Assumption for Open Market

That is, it is assumed that assets can be bought and sold freely in a fully competitive market, and their price will depend on the value judgment of independent buyers and sellers under the supply condition of a certain market.

An open market is a fully competitive market with many buyers and sellers. In this market, the status of buyers and sellers is equal, and each has the opportunity and time to obtain sufficient market information. The trading behavior of both buyers and sellers is carried out voluntarily and rationally, rather than under compulsory or unrestricted conditions.

3. Assumption for transaction

The source of value of any asset cannot be separated from the transaction. No matter whether the target assets are involved in transaction or not in the economic activities related to the valuation purpose, it is assumed that the target object is in the process of transaction, and the appraisers value it according to the simulated market such as the transaction conditions of the assets.

2. General Assumptions

1. The industry of the Target Company maintains a stable development trend, and the current national, local laws, regulations, systems, socio-political and economic policies that it follows have not changed significantly;
2. The Target Company continues to operate its existing or similar products according to the principle of continuing operation coupled with the current scale or the scale of the financial capacity, regardless of the benefits brought by the new shareholders.
3. There are no significant changes in mutual interests and the relationship among the Target Company and its domestic and foreign partners;
4. There will be no major changes in the current national interest rates, exchange rates, tax standards and tax rates, as well as policy fees;

5. The conclusion of valuation is based on the information provided by the client and the Target Company, assuming that the information provided by the client and the Target Company is objective, reasonable, true, valid and complete, and the ownership of appraised assets is clear;
6. There is no significant adverse impact caused by other force majeure and unforeseen factors.

3. *Specific Assumptions – Income Approach*

1. The assets of the Target Company will not change their purpose in use after the valuation basis date, and will continue to be used;
2. The current and future operators of the Target Company are responsible, and the management of the Target Company can steadily advance the development plan of the enterprise, and try its best to realize the expected operating situation;
3. The Target Company complies with relevant national laws and regulations, and there will be no significant violations affecting the development and revenue realization of the Target Company;
4. The accounting policies adopted in the financial data provided by the Target Company over the years are basically consistent with the accounting policies and the accounting methods used in earnings forecast in important aspects;
5. After the realization of the valuation purpose, the Target Company will continue to operate according to the existing business model and continue to operate the original products or similar products;
6. The cash flow of income and expenditure flows in and out evenly every year;
7. Within the scope of valuation, the valuer has paid necessary attention to and disclosed the legal status of some unlicensed or pending licensed building and land, while assuming that the Target Company's future production and operation will not be affected by these matters;
8. The income tax preference policy currently enjoyed by the Target Company is assumed to be enjoyed at the same standard during the preferential period, and after the expiration of the preferential period, the predication will base on the effective tax rate by then.
9. Due to the current arrears in subsidies for the new energy industry, and referencing the actual settlement situation of subsidies for new energy industry, it is assumed that the Target Company's general project new energy subsidies will be calculated on a 3-year

settlement cycle from July to December 2023, calculated on a 2-year settlement cycle in 2024, settled with a one-year delay from 2025 to 2030, and settled with a six-month delay from 2031 onwards.

10. According to the Notice on Value-added Tax (VAT) policy for wind power generation issued by the Ministry of Finance and the State Administration of Taxation (Finance and Taxation [2015] No. 74), from 1 July 2015, taxpayers who sell self-produced electricity products produced by wind power will be subject to a 50% VAT refund policy. The appraised entity and its subsidiaries Huaneng (Zhuanghe) Wind Power Co., Ltd., third-tier companies Dalian Ship and Sea Packaging New Energy Co., Ltd., Yingkou Shangdian Power New Energy Co., Ltd. and Huaneng (Dalian) Energy and Power Co., Ltd. are enterprises that sell self-produced electricity products produced by wind power as stipulated in the regulations and enjoy such preferential tax policies. The valuation assumes that the document will be valid throughout the operation of the power station.

V. SHAREHOLDING STRUCTURE BEFORE AND AFTER THE TRANSACTION

Under the Capital Increase Agreement, Huaneng Gongrong Fund would inject capital of RMB1,500,000,000 to the Target Company in cash, of which approximately RMB1,279,750,300 will be accounted for as the registered capital of the Target Company. The final amount of the increased registered capital is to be calculated based on the valuation of entire equity interests of the Target Company with the adjustment of the change in the net assets of the Target Company from the basis date to the signing date of the Capital Increase Agreement, and the remaining amount will be accounted for as the capital reserve of the Target Company.

The shareholding structure of the Target Company (i) as at the date of this announcement and (ii) immediately upon completion of the Capital Increase, is set out below:

Name of shareholder	As at the date of this announcement		Immediately upon completion of the Capital Increase	
	Registered capital (RMB)	Approx. %	Registered capital (RMB)	Approx. %
The Company	4,251,592,800	100.00%	4,251,592,800	76.86%
Huaneng Gongrong Fund	—	—	Approximately 1,279,750,300	23.14%
Total	<u>4,251,592,800</u>	<u>100.00%</u>	Approximately <u>5,531,343,100</u>	<u>100.00%</u>

The shareholding structure is to be adjusted with the for profit or loss based on changes in net assets between the basis date and the signing date of the Capital Increase Agreement.

Upon completion of the Capital Increase, the Target Company will continue to be a subsidiary of the Company and the financial results of the Target Company will continue to be consolidated into those of the Group.

VI. INFORMATION ON THE TARGET COMPANY

The Target Company is incorporated in the PRC with limited liability on 1 March 2018 and is principally engaged in technology development and provision of technical advice services for clean energy.

The following is the financial information of the Target Company issued on a consolidated basis in accordance with China Accounting Standards for the year ended 31 December 2022 and 30 June 2023 (of which Ernst & Young Hua Ming LLP) audited the financial statements of the Target Company for the year ended 31 December 2022 and issued audited reports No. 61493069_S06; BDO Shu Lun Pan Certified Public Accountants LLP audited the Target Company's financial statements as at the date of 30 June 2023 and issued audited reports [2023]No. ZG219025.

The financial information of the Target Company is as follows:

	Year ended 31 December 2022 (audited) <i>(in RMB0,000)</i>	Six months ended 30 June 2023 (audited) <i>(in RMB0,000)</i>
Operating Income	78,249.33	59,433.65
Net Profit	43,497.16	25,045.09
	As at the date of 31 December 2022 (audited) <i>(in RMB0,000)</i>	As at the date of 30 June 2023 (audited) <i>(in RMB0,000)</i>
Total Assets	1,388,701.30	1,502,501.11
Net Assets	488,708.11	517,983.77
	Year ended 31 December 2021 (audited) <i>(in RMB)</i>	Year ended 31 December 2022 (audited) <i>(in RMB)</i>
Net profit before taxation	44,952,598.30	445,810,903.47
Net profit after taxation	30,704,196.28	434,971,626.06

The audited net liabilities of the Target Company as at 30 June 2023 was approximately RMB9,845,173,447.21.

Except for the asset valuation conducted in this Transaction, the Target Company has not carried out other asset valuation, capital increase, capital reduction or restructuring in the past 12 months.

The equity rights of the Target Company held by the Company are clear. There are no mortgages, pledges and any other circumstances restricting the transfer; there are no litigation, arbitration matters or judicial measures such as seizure and freezing; and there are no other circumstances that hinder the transfer of interests. The Target Company is not listed as a person subject to enforcement for breach of trust.

VII. THE PURPOSE OF THE TRANSACTION AND ITS EFFECT ON THE COMPANY

The Target Company plans to introduce a strategic investor, Huaneng Gongrong Fund, to reduce asset-liability ratio and improve its internal corporate structure.

The Transaction does not involve changes in the scope of the Company's consolidated financial statements, does not affect the Company's control over the Target Company, has a positive impact on the daily operation and long-term development of the Company and the Target Company, does not materially affect the Company's financial and operation conditions, and does not prejudice the interests of the Company and its shareholders as a whole.

The connected transaction does not involve changes of the Target Company's management, personnel placement, land lease, etc.

VIII. APPROVAL FROM THE BOARD

The Transaction was considered and approved at the thirty-sixth meeting of the tenth session of the Board of the Company on 10 October 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 Listing Rules.

The Directors (including independent non-executive Directors) are of the view that Capital Increase Agreement will be 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.

IX. LISTING RULES IMPLICATIONS

Under Chapter 14A of the Listing Rules, Huaneng Gongrong Fund is a connected person of the Company while the Capital Increase constitutes a connected transaction for the Company. The Transaction will result in the Company's equity interest in the Target Company to decrease to approximately 76.86%. Following completion of the Capital Increase, the Target Company will become a connected subsidiary of the Company and the financial results of the Target Company will continue to be consolidated into those of the Company. Therefore, the Transaction constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

As the scale of the transaction amount exceeds 0.1% but does not exceed 5% of the applicable percentage ratios, the Transaction does not constitute a discloseable transaction under Chapter 14 of the Listing Rules. The Capital Increase constitutes a connected transaction under Chapter 14A. Therefore, the Company is require to comply with the reporting and announcement requirements under Rule 14A.76 of the Listing Rules but is exempt from independent shareholders' approval requirement.

As disclosed in this announcement, the valuation of the Target Company was prepared based on income approach (the “**Profit Forecast of the Target Company**”) and therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules. As such, the requirements under Rules 14A.68(7) and 14.62 of the Listing Rules are applicable.

Pursuant to Rule 14.62(2) of the Listing Rules, the Company has engaged Ernst & Young (“**Ernst & Young**”) to report on the calculation of discounted future cash flows on the profit forecast of relevant subsidiary. Ernst & Young has reviewed the calculation of discounted future cash flows used in the assessment.

Ernest & Young reported to the Directors that in terms of the arithmetical accuracy of the calculation of the discounted future estimated cash flows on which the valuation is based, the discounted future estimated cash flows have been properly prepared in all significant aspects based on assumptions. Ernst & Young has not reviewed and considered whether the discounted future estimated cash flows and the basis and assumptions on which the valuation is based are appropriate and effective. No work has been done on this, and it will not express any opinion on whether the basis and assumptions are appropriate and effective.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shanghai Lixin Assets Appraisal Group Co., Ltd. and Ernst & Young are third parties independent of the Company and its connected persons.

The report from Ernest & Young for the purpose of Rule 14.62(2) of the Listing Rules on the Profit Forecast of the Relevant Subsidiary is set out in Appendix I of this announcement. The letter from the Board of Directors for the purpose of Rule 14.62(3) of the Listing Rules on the Profit Forecast of Relevant Subsidiary is set out in Appendix II to this announcement.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement.

Name	Qualification
Ernest & Young	Certified Public Accountants in Hong Kong

To the best of the Directors' knowledge, information and belief, as at the date of this announcement, each of the above mentioned experts was not beneficially interested in the share capital of the Company and its subsidiaries nor did it have any right, whether legally enforceable or not, to subscribe or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the date of this announcement, the above-mentioned expert did not have any direct or indirect interest in any assets which had been since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

The expert mentioned above has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter, report or statement(s) and all references to its name and logo in the form and context in which it appears.

According to the listing rules requirements of SSE, the Capital Increase is subject to the approval of the shareholders' general meeting. Accordingly, the Company will convene and hold a general meeting for its independent shareholders to, among others, consider and approve the Capital Increase. Subject to the approval of the shareholders' general meeting, if the Capital Increase is approved and the Capital Increase Agreement is signed, the Company will make a further announcement in compliance with the Listing Rules.

A circular containing, among others, (1) the Capital Increase and (2) a notice of the shareholders' general meeting will be despatched to shareholders as soon as practicable.

Shareholders and potential investors should note that the Capital Increase is subject to the fulfilment of certain conditions and approval by the general meeting before it can be realized, and the Capital Increase may not be implemented. There is no guarantee that the Capital Increase will take place. Shareholders and potential investors are advised to exercise caution when buying and selling the Company's shares.

X. DEFINITIONS

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

“Board”	:	the Board of Directors
“Capital Increase Agreement”	:	the agreement to be entered into between the Company, the Target Company and Huaneng Gongrong Fund
“Capital Increase”	:	the Capital Increase of RMB1,500,000,000 to the Target Company by Huaneng Gongrong Fund pursuant to the terms of the Capital Increase Agreement
“Company”	:	Huaneng Power International, Inc. (stock code: 902)
“connected person”	:	has the same meaning ascribed to it under the Listing Rules

“connected subsidiary”	:	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	:	director(s) of the Company
“HIPDC”	:	Huaneng International Power Development Corporation
“Huaneng Capital”	:	Huaneng Capital Services Corporation Ltd.
“Huaneng Finance”	:	China Huaneng Finance Corporation Limited
“Huaneng Gongrong Fund”	:	Huaneng Gongrong No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (華能工融一號(天津)股權投資基金合夥企業(有限合夥))
“Huaneng Group”	:	China Huaneng Group Company Limited
“Huaneng HK”	:	China Huaneng Group Hong Kong Limited
“Huaneng Treasury”	:	China Huaneng Group Treasury Management (Hong Kong) Limited
“Huaneng Invesco”	:	Huaneng Invesco Private Equity Management Company Limited (華能景順私募基金管理有限公司)
“Listing Rules”	:	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	:	The People’s Republic of China (which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan)
“RMB”	:	Renminbi, the lawful currency of the PRC
“SASAC”	:	The State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SSE”	:	Shanghai Stock Exchange
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Target Company”	:	Huaneng Liaoning Clean Energy Limited Liability Company (華能遼寧清潔能源有限責任公司)

“Transaction” or “Capital Increase” : the capital increase into the Target Company pursuant to the terms and conditions of the Capital Increase Agreement to be signed by the Company, the Target Company and Huaneng Gongrong Fund, Huaneng Gongrong Fund

“%” : per cent.

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

11 October 2023

APPENDIX I



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the Directors
Huaneng Power International, Inc.
Huaneng Building
No.6 Fuxingmennei Street
Xicheng District, Beijing, China

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN HUANENG LIAONING CLEAN ENERGY LIMITED LIABILITY COMPANY.

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 26 September 2023 prepared by Shanghai Lixin Assets Appraisal Group Co., Ltd in respect of Huaneng Liaoning Clean Energy Limited Liability Company (the “**Target**”) as at 30 June 2023 is based. The valuation is set out in the announcement of Huaneng Power International, Inc. (the “**Company**”) dated 10 October 2023 (the “**Announcement**”) in connection with the deemed disposal of equity interest in the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “Valuation assumptions” of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully

Ernst & Young

Certified Public Accountants

Hong Kong

10 October 2023

APPENDIX II



華能國際電力股份有限公司

HUANENG POWER INTERNATIONAL, INC.

10 October 2023

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sir and Madam,

Connected Transaction – DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

We refer to the announcement of Huaneng Power International, Inc. (the “**Company**”) dated 10 October 2023 in respect of the captioned transaction (the “**Announcement**”). Unless otherwise indicated, the terms used in this letter shall have the same meanings as defined in the Announcement.

We refer to the valuation report (the “**Valuation Report**”) prepared by Shanghai Lixin Assets Appraisal Co., Ltd. (the “**Valuer**”) on the valuation of the entire equity interest of Huaneng Liaoning Clean Energy Limited Liability Company dated 26 September 2023. The valuation constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board has reviewed the valuation basis and assumptions set out in the Valuation Report, for which the Valuer is responsible. We have considered the letter dated 10 October 2023 issued by our reporting accountant, Ernst & Young, regarding whether the profit forecasts, so far as the calculations are concerned, have been properly complied with the bases and assumptions set out in the Valuation Report.

On the basis of the foregoing, pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board confirms that the valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the Board of Directors of
Huaneng Power International, Inc.

Wang Kui
Chairman



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)

NOTICE OF 2023 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2023 first extraordinary general meeting (the “Extraordinary General Meeting” or “General Meeting”) of Huaneng Power International, Inc. (the “Company”) will be held at 9:00 a.m. on 5 December 2023 at Conference Room A102, the headquarters of the Company, Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, the People’s Republic of China (the “PRC”) for the purposes of considering and approving the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the Proposal regarding the provision of counter-guarantee by Hainan Company to connected persons (*Note 1*);
2. To consider and approve the Proposal regarding the continuing connected transactions for 2024 between the Company and Huaneng Group (*Note 1*);
3. To consider and approve the Proposal on re-appointment of the accounting firms of the Company for 2024 (*Note 2*);
4. To consider and approve the Proposal on continuing connected transactions involved in the Similar REITs (Laiwu Power Generation Project) (*Note 3*); and
5. To consider and approve the Proposal on connected transaction of capital increase of Liaoning Qingneng Company (*Note 4*).

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

As at the date of this notice, 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
20 October 2023

Notes:

1. Please refer to the Company's circular dated 20 October 2023 for further details.
2. The board of directors of the Company proposes to continue to appoint Ernst & Young Hua Ming LLP to be the Company's domestic auditors for 2024, and Ernst & Young to be the Company's Hong Kong auditors for 2024. The total remuneration for 2024 is RMB26.83 million, including internal control audit fees of RMB3.49 million, which shall be subject to appropriate adjustment according to the actual audit scope. Please refer to the Company's announcement dated 11 October 2023 regarding the Re-appointment of Accounting Firm and the Company's circular dated 20 October 2023 for further details.
3. Please refer to the Company's announcement dated 10 October 2023 and circular dated 20 October 2023 for further details.
4. Please refer to the Company's announcement dated 11 October 2023 and circular dated 20 October 2023 for further details.
5. **Proxy**
 - (1) A member eligible to attend and vote at the Extraordinary General Meeting is entitled to appoint, in written form, one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder.
 - (2) A proxy should be appointed by a written instrument signed by the appointor or its attorney duly authorised in writing. If the form of proxy is signed by the attorney of the appointor, the power of attorney authorising that attorney to sign or other authorisation document(s) shall be notarised.
 - (3) To be valid, the power of attorney or other authorisation document(s) which have been notarised together with the completed form of proxy must be delivered, in the case of holders of Domestic Shares, to the Company and, in the case of holders of H Shares, to Hong Kong Registrars Limited, not less than 24 hours before the time designated for holding the Extraordinary General Meeting.
 - (4) If more than one proxy is appointed by one shareholder, such proxies shall only exercise the right to vote by poll.
 - (5) The resolutions set out in this notice will be voted by poll.
6. **Registration procedures for attending the Extraordinary General Meeting**
 - (1) A shareholder or his proxy shall produce proof of identity when attending the meeting. If a shareholder is a legal person, its legal representative or other persons authorised by the board of directors or other governing body of such shareholder may attend the Extraordinary General Meeting by producing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person(s) to attend the meeting.
 - (2) Shareholders of H Shares intending to attend the Extraordinary General Meeting should return the reply slip for attending the Extraordinary General Meeting to the Company on or before 14 November 2023.
 - (3) Shareholders may send the above-mentioned reply slip to the Company in person, by post or by fax.

7. Registration Matters for H Shareholders

In order to determine the shareholders of H shares who will be entitled to attend the Extraordinary General Meeting, the Company will suspend registration of transfer of H shares from 14 November 2023 to 5 December 2023 (both days inclusive).

In order to qualify to attend and vote at the Extraordinary General Meeting, non-registered share holders of H shares of the Company whose transfer documents have not been registered must deposit the transfer documents accompanied by relevant share certificates to the Company's H Share Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 13 November 2023. Shareholders of H shares whose names are recorded in the register of members of the Company on 5 December 2023 are entitled to attend the Extraordinary General Meeting.

8. Other Businesses

(1) Shareholders and their proxies who attend the meeting shall bear their own accommodation and travelling expenses.

(2) The address of the Share Registrar for H Shares of the Company, Hong Kong Registrars Limited, is set out as follows:

1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

(3) Correspondence address of the Company:

Capital Market Department of
Huaneng Power International, Inc.
Huaneng Building,
6 Fuxingmennei Street,
Xicheng District, Beijing 100031,
The People's Republic of China

(4) Contact: Xie Meixin/Hu Boxuan

Telephone No: (+86)10-6322 6590/(+86)10-6322 6557

Email address: xiemx@hpi.com.cn/huboxuan@hpi.com.cn

(5) Time and dates in this notice are Hong Kong time and dates.

9. Special Notice

All shareholders attending the Extraordinary General Meeting are required to produce their identity and shareholder account cards. Proxies appointed by an individual shareholder is also required to produce the proxy forms and their identity cards for registration purpose. A copy of power of attorney is also required in case of proxy appointed by a corporate shareholder. Shareholders who cannot register physically due to their location may do so by mail or fax. Registration is not a prerequisite for a shareholder to attend the Extraordinary General Meeting in accordance with the law.