

---

**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 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)**

**CONTINUING CONNECTED TRANSACTIONS UNDER  
THE HUANENG GROUP FRAMEWORK AGREEMENT;  
DISCLOSEABLE TRANSACTIONS AND CONTINUING  
CONNECTED TRANSACTIONS UNDER THE HUANENG  
FINANCE FRAMEWORK AGREEMENT;  
PROPOSED CHANGE OF AUDITORS;  
FURTHER INFORMATION IN RELATION TO FORMATION OF  
A JOINT VENTURE;  
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 a.m. on 12 December 2024 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 the Company is set out on pages 5 to 41 of this circular. A letter from the Independent Board Committee of the Company is set out on pages 42 to 43 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 44 to 60 of this circular.

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 Computershare Hong Kong Investor Services 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.

22 November 2024

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions . . . . .</b>	1
<b>Letter from the Board . . . . .</b>	5
<b>Letter from the Independent Board Committee . . . . .</b>	42
<b>Letter from Gram Capital . . . . .</b>	44
<b>Appendix I – General Information . . . . .</b>	I-1
<b>Appendix II – Further Information in Relation to Formation of a Joint Venture . . . . .</b>	II-1
<b>Appendix III – Notice of EGM . . . . .</b>	III-1

---

## DEFINITIONS

---

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

“2022-2024 Huaneng Finance Framework Agreement”	the framework agreement entered into between the Company and Huaneng Finance on 26 October 2021 regarding deposit services, loan advancement and note discounting services provided by Huaneng Finance to the Company from 2022 to 2024 and the supplemental agreement entered into between the Company and Huaneng Finance on 25 October 2022 for increasing the maximum daily balances of the loan under 2022-2024 Huaneng Finance Framework Agreement
“2024 Huaneng Group Framework Agreement”	the framework agreement on the continuing connected transactions for 2024 between Huaneng Power International, Inc. and China Huaneng Group Co., Ltd. entered into between the Company and Huaneng Group on 10 October 2023
“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
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“BDO”	BDO China Shu Lun Pan Certified Public Accountants LLP
“Board”	the board of Directors of the Company
“Company”, “Huaneng 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
“Director(s)”	the director(s) (including independent non-executive directors) of the Company
“EGM” or “Extraordinary General Meeting”	the 2024 first extraordinary general meeting of the Company to be held at 9:00 a.m. on 12 December 2024 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

---

## DEFINITIONS

---

“EY”	Ernst & Young
“EYHM”	Ernst & Young Hua Ming LLP
“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 and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement
“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
“HIPDC”	Huaneng International Power Development Corporation
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong BDO”	BDO Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hua Neng HK”	China Hua Neng Group Hong Kong Limited
“Huaneng Finance”	China Huaneng Finance Corporation Limited
“Huaneng Finance Framework Agreement or Financial Services Agreement”	the financial services agreement entered into between the Company and Huaneng Finance on 29 October 2024 on the provision of deposit services, credit services and note discounting services and other financial services by Huaneng Finance to the Company from 2025 to 2027
“Huaneng Group”	China Huaneng Group Co., Ltd.

---

## DEFINITIONS

---

“Huaneng Group Framework Agreement”	the framework agreement on the continuing connected transactions for 2025 between Huaneng Power International, Inc. and China Huaneng Group Co., Ltd. entered into between the Company and Huaneng Group on 29 October 2024
“Huaneng Treasury”	China Huaneng Group Treasury Management (Hong Kong) Limited
“Independent Board Committee”	a committee of the Board established for the purpose of considering the 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 and deposit transactions (including the maximum daily balances thereof) contemplated under Huaneng Finance Framework Agreement, comprising independent non-executive Directors who are independent of these transactions
“Independent Shareholders”	the Company’s shareholders other than Huaneng Group and its associates
“Latest Practicable Date”	20 November 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Notice of EGM”	the notice for convening the EGM as set out in Appendix III to this circular
“Other Transactions”	the transactions to be conducted between the Company and its subsidiaries and Huaneng Group and its subsidiaries and its associates in 2025 under the Huaneng Group Framework Agreement, including the purchase of ancillary equipment and parts; leasing of facilities, land and office spaces; provision of entrusted sale and related services by Huaneng Group and its subsidiaries and associates; accepting 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; borrowing trust loans and accepting loans and accepting factoring services; and the transactions to be conducted between the Company and its subsidiaries and Huaneng Finance in years 2025 to 2027 regarding credit services and note discounting services and other financial services contemplated under the Huaneng Finance Framework Agreement

---

## DEFINITIONS

---

“PRC”, “China”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	A Shareholder(s) and H Shareholder(s)
“SSE Listing Rules”	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange
“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  
Wang Zhijie  
Huang Lixin

*Registered Address:*

Huaneng Building  
6 Fuxingmennei Street  
Xicheng District  
Beijing 100031  
PRC

*Non-executive Directors:*

Du Daming  
Zhou Yi  
Li Lailong  
Cao Xin  
Li Haifeng  
Ding Xuchun  
Wang Jianfeng

*Independent non-executive Directors:*

Xia Qing  
He Qiang  
Zhang Liying  
Zhang Shouwen  
Dang Ying

22 November 2024

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS UNDER  
THE HUANENG GROUP FRAMEWORK AGREEMENT;  
DISCLOSEABLE TRANSACTIONS AND CONTINUING  
CONNECTED TRANSACTIONS UNDER THE HUANENG  
FINANCE FRAMEWORK AGREEMENT;  
PROPOSED CHANGE OF AUDITORS;  
FURTHER INFORMATION IN RELATION TO FORMATION OF  
A JOINT VENTURE;  
AND  
NOTICE OF EGM**

---

## LETTER FROM THE BOARD

---

### I. INTRODUCTION

#### **Background**

On 29 October 2024, the Company published the announcement regarding, among others, (i) the continuing connected transactions (including the respective caps) for 2025 contemplated under the Huaneng Group Framework Agreement; (ii) the discloseable transactions and continuing connected transactions for 2025 to 2027 contemplated under the Huaneng Finance Framework Agreement (including the respective caps); and (iii) the proposed change of auditors.

Under the Hong Kong Listing Rules, (i) transactions regarding the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) for 2025 contemplated under the Huaneng Group Framework Agreement and (ii) the deposit transactions (including the maximum daily balances thereof) for 2025 to 2027 contemplated under the Huaneng Finance Framework Agreement shall require Independent Shareholders' approval. The Other Transactions are only subject to the reporting, annual review and announcement requirements or within the de minimis provision of Rule 14A.31(2) and were therefore fully exempt from the connected transaction requirements under the Hong Kong Listing Rules. However, as required by the SSE Listing Rules, the Company is required to propose an ordinary resolution for each of (i) the continuing connected transactions for 2025 under the Huaneng Group Framework Agreement and (ii) the continuing connected transactions for 2025 to 2027 under the Huaneng Finance Framework Agreement for approval by Independent Shareholders at the EGM. As such, with respect to ordinary resolution no. 2 of the Notice of EGM, all the continuing connected transactions for 2025 contemplated under the Huaneng Group Framework Agreement, regardless of whether such transactions are subject to Independent Shareholders' approval requirements under the Hong Kong Listing Rules, will be treated as one single resolution for approval by Independent Shareholders at the EGM. Likewise, all the continuing connected transactions for 2025 to 2027 contemplated under the Huaneng Finance Framework Agreement will be treated as one single resolution as resolution no. 3 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 (i) the continuing connected transactions 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 and (ii) the deposit transactions (including the maximum daily balances thereof) under the Huaneng Finance 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 (i) the fairness and reasonableness of the transactions 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 and the deposit transactions (including the maximum daily balances thereof) under the Huaneng Finance Framework Agreement and (ii) whether such transactions (including their respective proposed caps/maximum



---

## LETTER FROM THE BOARD

---

daily balances) under the above framework agreements are in the interests of the Company and its Shareholders as a whole. The letter of advice 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 (i) 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 (ii) the deposit transactions (including the maximum daily balances thereof) under the Huaneng Finance 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 in doing so, the Independent Shareholders have been provided with sufficient information to make an informed decision in the voting of the relevant proposed resolutions at the EGM.

In addition, the Company proposed to rotate the auditors periodically. Given that EY and EYHM have served as the international auditor and the PRC auditor of the Company for six consecutive years, respectively, and in order to maintain good corporate governance practices, the Board has decided to rotate the auditors upon the expiration of the current terms of EY and EYHM. The Company shall seek approval from the Shareholders on the respective appointment of Hong Kong BDO and BDO as the international auditor and PRC auditor of the Company for the year 2025 at the EGM. The proposal regarding such appointments shall be submitted to the EGM as an ordinary resolution (being resolution no. 1 of the Notice of EGM) for consideration and approval by the Shareholders.

Reference is made to the Company's announcement dated 30 October 2024 regarding the formation of a joint venture. The Company will include an updated announcement in Appendix II to this circular, providing additional background and details necessary to assess the structure and impact of the transaction. Any supplemental information will be underlined and any deletions will be indicated by strikethrough. Except for the revisions and supplements, all other details in the original announcement regarding the joint venture formation remain unchanged. For the avoidance of doubt, shareholders should note that the transaction regarding the formation of a joint venture is not subject to shareholders' approval and therefore no resolution regarding the transaction will be proposed at the EGM.

### **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 continuing connected transactions (including the respective caps) for 2025 contemplated under the Huaneng Group Framework Agreement; (ii) the discloseable transactions and continuing connected transactions (including the respective caps/maximum daily balances) for 2025 to 2027 contemplated under the Huaneng Finance Framework Agreement; and (iii) the proposed change of the auditors;

---

## LETTER FROM THE BOARD

---

- (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 Agreement and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework 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;
- (iii) to seek your approval of the ordinary resolutions in relation to (among others) (i) the proposal regarding the continuing connected transactions (including the respective caps) for 2025 contemplated under the Huaneng Group Framework Agreement (being resolution no. 2 of the Notice of EGM); (ii) the proposal regarding the discloseable transactions and continuing connected transactions (including the respective caps/maximum daily balances) for 2025 to 2027 contemplated under the Huaneng Finance Framework Agreement (being resolution no. 3 of the Notice of EGM); and (iii) the proposal regarding the respective appointment of Hong Kong BDO and BDO as the international auditor and PRC auditor of the Company for the year 2025 (being resolution no. 1 of the Notice of EGM), which have been respectively set out in the Notice of the EGM; and
- (iv) to include the updated announcement regarding the formation of the joint venture in Appendix II to this circular, for the information of shareholders only.

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 resolutions (being resolution no. 2 and no. 3 of the Notice of EGM) regarding the continuing connected transactions for 2025 under the Huaneng Group Framework Agreement and the discloseable transactions and continuing connected transactions for 2025 to 2027 under the Huaneng Finance Framework Agreement proposed at the EGM, if they vote in favour of such resolutions, they would approve all the continuing connected transactions for 2025 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) and all the discloseable transactions and continuing connected transactions for 2025 to 2027 under the Huaneng Finance Framework Agreement (including the deposit transactions). In the event that the resolutions proposed at the EGM as regards the continuing connected transactions for 2025 under the Huaneng Group Framework Agreement and the discloseable transactions and continuing connected transactions for 2025 to 2027 under the Huaneng Finance Framework Agreement are not approved by the Independent Shareholders, all continuing connected transactions for 2025 contemplated under the Huaneng Group Framework Agreement and all the discloseable transactions and continuing connected transactions for 2025 to 2027 under the Huaneng Finance Framework Agreement would not be carried out by the Company.

## II. RELATIONSHIP BETWEEN THE COMPANY, HUANENG GROUP AND HUANENG FINANCE

The Company and its subsidiaries mainly develop, construct, operate and manage power plants in China nationwide. It is one of the largest listed power producers in China, with a controlled generation capacity of 140,711MW.

---

## LETTER FROM THE BOARD

---

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 State-owned Assets Supervision and Administration Commission of the State Council. Huaneng Group also holds a 9.91% direct interest in the Company and holds a 3.01% indirect interest in the Company through its wholly-owned subsidiary Huaneng HK, a 0.84% indirect interest in the Company through Huaneng Treasury, its wholly-owned subsidiary, and a 0.20% indirect interest in the Company through Huaneng Structural Adjustment No.1 Securities Investment Private Fund, its concerted party. Huaneng Group is the ultimate controlling shareholder of the Company.

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

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

### III. HUANENG GROUP FRAMEWORK AGREEMENT

#### 1. Introduction

The Company entered into the 2024 Huaneng Group Framework Agreement on 10 October 2023 for the purpose of governing the conduct of certain continuing connected transactions between the Company and its subsidiaries and Huaneng Group (and its subsidiaries and associates) in 2024. The relevant agreement will expire on 31 December 2024. In order to

---

## LETTER FROM THE BOARD

---

continue the relevant transactions, the Company entered into the Huaneng Group Framework Agreement with Huaneng Group on 29 October 2024 for a term commencing on 1 January 2025 and expiring on 31 December 2025.

### **2. Particulars of Transactions**

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

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

Due to operational needs, the Company and its subsidiaries have to purchase ancillary equipment and parts which include mainly the raw materials and ancillary equipment and other installation and products relevant to the production and operation for the infrastructure construction works for power plants. Pursuant to the provisions of the 2024 Huaneng Group Framework Agreement with respect to the purchase of ancillary equipment and parts in 2024 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the annual cap of such transactions for 2024 was set at RMB2.1 billion. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount (unaudited) in respect of the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates was approximately RMB390 million. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the fact that the corresponding adjustments were made to the transactions based on the Company's actual operating conditions and market changes, and at the same time relevant projects are seasonal and some transactions are expected to occur in the fourth quarter.

For 2025, the aggregate transaction amount with respect to the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates under the Huaneng Group Framework Agreement is estimated not to exceed RMB2.1 billion. The estimate of such cap takes into consideration the overall business scale and operation of the power plants of the Company and its subsidiaries, a reasonable expectation of the Company and its subsidiaries as to the development of the relevant power plants, and also the benefit of offering favourable prices on bulk purchases by Huaneng Group and its subsidiaries and associates.

The competitive advantage of Huaneng Group and its subsidiaries and associates in the supply of ancillary equipment and parts is that they are able to offer more favourable prices for bulk purchase of ancillary equipment and parts to the Company and its subsidiaries, they have a close relationship with the Company and its subsidiaries, while

---

## LETTER FROM THE BOARD

---

they are able to provide the Company and its subsidiaries with the ancillary equipment and parts in a timely and reliable manner, thereby minimising the management and operational costs of the Company and its subsidiaries.

Pursuant to the Huaneng Group Framework Agreement, the terms and the prices with respect to the purchase of ancillary equipment and parts by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates are negotiated at arm's length terms, taking into account the types and quantity of ancillary equipment and parts to be purchased according to the Company's procurement policy, details of which are set out in paragraph headed "Measures to Safeguard the Interest of the Independent Shareholders" to this 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 Company will, with respect to the transactions in question, comply with the requirements under Rules 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB2.1 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

(2) *Purchase of fuel and transportation services*

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

Pursuant to the provisions of the 2024 Huaneng Group Framework Agreement with respect to the purchase of fuel and transportation services in 2024 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the cap of the aggregate transaction amount for 2024 was RMB115 billion. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount (unaudited) for purchase of fuel and transportation services by the Company and its subsidiaries from

---

## LETTER FROM THE BOARD

---

Huaneng Group and its subsidiaries and associates was approximately RMB43.028 billion. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was mainly attributable to the relatively significant changes in the coal market and transportation market conditions than envisaged and the corresponding adjustments to relevant transactions made by the Company.

Pursuant to the Huaneng Group Framework Agreement, the cap of the transaction amount for purchase of fuel and transportation services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates for 2025 is estimated to be RMB75 billion. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement. The annual cap for 2025 is slightly less than the existing annual cap for the year ending 31 December 2024 after considering the market fluctuation of coal price and decrease in the quantity of coal purchase. The annual cap for 2025 is set based on the current overall business scale and operation of the power plants of the Company and its subsidiaries, and the reasonable expectation of those power plants by the Company and its subsidiaries and market trend, having taken into account the capability in offering relatively competitive prices on bulk purchase of fuel and transportation services by Huaneng Group and its subsidiaries and associates at the same time.

Since the beginning of this year, China's coal market has experienced weakness in both supply and demand. Seasonal demand has been particularly soft, impacted by fluctuations in new energy sources, while non-electricity-related demand has also remained relatively weak. As a result, overall coal consumption has slightly declined nationwide, leading to a further easing of supply and demand in the market and improvement of transportation bottlenecks. These factors have all contributed to lower period-on-period coal prices. According to the China Electricity Coal Purchasing Price Index (CECI Caofeidian Index) published by CEC, as of 31 October 2024, the price of 5,500-kcal coal stood at RMB855 per ton, reflecting an 11.4% decrease compared to the same period last year. Against this backdrop, the Company's coal purchase price has been significantly lower than during the same period last year, leading to the substantial difference between the 2024 annual cap and actual transaction amount for the nine months ended 30 September 2024. Looking ahead to 2025, the coal supply-demand balance is expected to continue to improve moderately, though occasional regional, seasonal, and structural pressures may still emerge, with the overall price trend likely to continue downward based on this year's levels. Therefore, the Company set the 2025 annual cap lower than that of 2024.

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

---

## LETTER FROM THE BOARD

---

relationships with the Company and its subsidiaries, Huaneng Group and its subsidiaries and associates are able to provide the Company and its subsidiaries with fuel and transportation services in a timely and reliable manner, thereby minimising the management and operational costs of the Company and its subsidiaries.

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

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

For operational needs, the Company and its subsidiaries have to lease facilities, land and office spaces (mainly including power transmission and transformation assets, vessels, land and office spaces for power plants, etc.) from Huaneng Group and its subsidiaries and associates. Pursuant to the provisions of the 2024 Huaneng Group Framework Agreement with respect to the leasing of facilities, land and office spaces in 2024 by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates, the cap of the relevant transaction amount for 2024 was set at RMB300 million. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount (unaudited) which has already been paid by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates for leasing of facilities, land and office spaces was approximately RMB146 million. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the leasing of facilities, land and office spaces by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2025 is estimated not to exceed RMB300 million. The estimate of such cap amount is based on the existing overall business scale and operation of the power plants of the Company and its subsidiaries, the anticipated development of such power plants as deemed reasonable by the Company and its subsidiaries, having taken into account at the same time the benefit of favourable prices offered by Huaneng Group and its subsidiaries and associates for leasing of facilities, land and office spaces.

---

## LETTER FROM THE BOARD

---

In respect of leasing of facilities, land and office spaces, the competitive advantage of Huaneng Group and its subsidiaries and its associates is that they are able to offer more favourable prices for leasing of facilities, land and office spaces to the Company and its subsidiaries, they have a close relationship with the Company and its subsidiaries, while they are able to provide the Company and its subsidiaries with the leased facilities, land and office spaces in a timely and reliable manner, thereby minimising the management and operational costs of the Company and its subsidiaries.

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

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

As none of the applicable percentage ratio relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of conducting annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB300 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

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

Accepting the technical services, engineering contracting services and other services between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates mainly includes the provision of fuel management service relevant to power plants, maintenance services for power plants' monitoring systems, real-time consolidation of project data, trial run of generating units, contracting of construction works in progress, supervision of manufacture of facilities and insurance services by Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries. Pursuant to the 2024 Huaneng Group Framework Agreement, the cap for the aggregate transaction amount with respect to the purchase of technical services, engineering



---

## LETTER FROM THE BOARD

---

contracting services and other services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates for 2024 was set at RMB8.4 billion. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount (unaudited) between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates was approximately RMB1,294 million. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was due to the adjustments made to the estimated transactions by the Company based on the actual overall business scale and operating conditions as well as market changes. Due to shifts in the external environment, including intensified market competition and evolving industry policies, certain technical services and engineering contracting projects initially planned to be handled by Huaneng Group and its subsidiaries and associates in 2024 were either handled by other suppliers or delayed. Meanwhile, rapid advancements in China's new energy power generation technology have significantly transformed the new energy materials market. For instance, photovoltaic module prices in China in 2024 have dropped considerably compared to the same period last year. These factors have directly contributed to the lower-than-expected historical amount of the transaction in respect of accepting technical services, engineering contracting services and other services from Huaneng Group and its subsidiaries and associates.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to accepting the technical services, engineering contracting services and other services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2025 is estimated not to exceed RMB5.5 billion. The estimate of such cap is based on the existing overall business scale and operation of the power plants of the Company and its subsidiaries as well as the demand for engineering, production, science and technology expected to be arisen from the green transformation of the Company and its subsidiaries, having taken into account the benefit of favourable prices for the provision of technical services and engineering contracting services and other services offered by Huaneng Group and its subsidiaries and associates.

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

---

## LETTER FROM THE BOARD

---

Pursuant to the Huaneng Group Framework Agreement, the terms and the prices of transactions with respect to accepting technical services, engineering contracting services and other services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates are negotiated at arm's length terms, taking into account the types of energy transactions, technical indicators and engineering related raw materials required for each of the contracts according to the Company's procurement rules, details of which are set out in paragraph headed "Measures to Safeguard the Interest of the Independent Shareholders" to this 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 the Independent Shareholders' approval under the Hong Kong Listing Rules.

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

The provision of entrusted sale of electricity and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries involves mainly Huaneng Group and its subsidiaries and associates using of power generation quota of the Company and its subsidiaries for substituted power generation. The transaction prices of substituted power generation are to be settled in two ways: (1) after using the power generation quota of the Company and its subsidiaries to generate electricity, Huaneng Group and its subsidiaries and associates will settle with the power grid company(ies) first, and then pay the prices for quota generation prices to the Company and its subsidiaries; (2) after using the power generation quota of the Company and its subsidiaries by Huaneng Group and its subsidiaries and associates to generate electricity, the Company and its subsidiaries will settle with the power grid company(ies) first and then pay the electricity revenue after deduction of the amount of the quota usage prices to Huaneng Group and its subsidiaries and associates. In addition, the Company and its subsidiaries sell electricity to Huaneng Group and its

---

## LETTER FROM THE BOARD

---

subsidiaries and associates, or entrust Huaneng Group, its subsidiaries and associates to sell electricity to market users, and the Company and its subsidiaries will pay the corresponding service fees. Pursuant to the provisions of the 2024 Huaneng Group Framework Agreement with respect to the provision of entrusted sale of electricity and related services from Huaneng Group and its subsidiaries and associates in 2024, the anticipated transaction amount for 2024 was RMB100 million. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount for the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries was RMB0. It is estimated that by the end of 2024, the actual aggregate transaction amount will not exceed the anticipated transaction amount of 2024.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to such entrusted sale and related services between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates for 2025 is estimated to be RMB100 million. Such estimate of cap amount is set based on the factors such as overall business scale of the transaction parties in 2025, the quota for transfer of power generation, transaction rules, transaction volume, transaction prices, service fees, etc. and the reasonable expectation of the transactions by the Company and its subsidiaries.

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

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

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the

---

## LETTER FROM THE BOARD

---

Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB100 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

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

The acceptance of the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries involves mainly the use of power generation quota of Huaneng Group and its subsidiaries and associates for substituted power generation. The transaction prices of substituted power generation are to be settled in two ways: (1) after using the power generation quota of Huaneng Group and its subsidiaries and associates to generate electricity, the Company and its subsidiaries will settle with the power grid company(ies) first, and then pay the prices for the power generation quota to Huaneng Group and its subsidiaries and associates; (2) after using the power generation quota of Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries to generate electricity, Huaneng Group and its subsidiaries and associates will settle with the power grid company(ies) first and then pay the electricity revenue after deduction of the amount of the quota usage prices to the Company and its subsidiaries. In addition, the Company and its subsidiaries purchase electricity from Huaneng Group and its subsidiaries and associates, or accept the entrustment from Huaneng Group, its subsidiaries and associates to sell electricity to market users, and the Company and its subsidiaries will charge the corresponding service fees. Pursuant to the 2024 Huaneng Group Framework Agreement with respect to the acceptance of the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries, the cap of the aggregate transaction amount for 2024 was set at RMB100 million. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount for the acceptance of the provision of entrusted sale and related services from Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries was RMB0. It is estimated that by the end of 2024, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2024.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the acceptance of the entrustment of the sale and related services between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates for 2025 is estimated to be RMB100 million. Such estimate of cap amount is based on the factors such as overall business scale of the transaction parties in 2025, the quota for transfer of power generation, transaction rules, transaction volume, transaction prices, service fees, etc. and the reasonable expectation of the development of the transaction parties by the Company and its subsidiaries.

---

## LETTER FROM THE BOARD

---

Due to shifts in market dynamics and policy changes, the Company's power plants experienced no demand for alternative power generation from January to September in 2024, and consequently, no transactions related to entrusted sales or associated services from Huaneng Group and its subsidiaries were conducted during this period. The Company recognizes that the actual transaction amount for the nine months ended 30 September 2024 has varied significantly from the 2024 annual cap. However, as China's power market mechanisms continue to evolve, with new power trading systems and management regulations being introduced, policy adjustments are expected to have a direct impact on the power trading market structure. Accordingly, an annual cap of RMB100 million was set based on projected trading and plant operations of the Company's power plants to serve as a buffer to address potential market and policy uncertainties.

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

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

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB100 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

---

## 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 coal and other related products shall be no less favourable than those offered by independent third parties to the Company for the same or similar type of coal supply and other related products. Pursuant to the 2024 Huaneng Group Framework Agreement, the cap of the aggregate transaction amount with respect to the sale of products and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates for 2024 was set at RMB1 billion. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount (unaudited) for the sale of products and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates was approximately RMB208 million. It is estimated that by the end of 2024, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was primarily due to the fact that the 2024 budget includes transactions that may sell coal to connected persons under specific conditions, while such transactions have not actually occurred so far in 2024.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the sale of products and related between the Company and Huaneng Group and its subsidiaries and associates for 2025 is estimated to be RMB800 million. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms to be agreed by the relevant parties pursuant to the Huaneng Group Framework Agreement. Such estimate of cap amount is based on the demand of coal and transportation and relevant products and services of the power plants of Huaneng Group and its subsidiaries in 2025 and more favorable pricing by way of bulk purchase. In order to leverage on the advantage of scale procurement, the Company may increase the purchase volume of coal and will not exclude the possibility of re-selling of the excess portions to power plants of Huaneng Group and its subsidiaries.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB800 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

---

## LETTER FROM THE BOARD

---

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

The purchase of heat products and related services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates includes the purchase of industrial steam, hot water and other thermal products produced by power plants and heating enterprises, and the entrustment to Huaneng Group and its subsidiaries and associates to sell industrial steam, hot water and other thermal products, and pay the corresponding service fees to counterparties. Pursuant to the 2024 Huaneng Group Framework Agreement, the cap of the aggregate transaction amount with respect to the purchase of heat products and related services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates for 2024 was set at RMB200 million. During the period from 1 January 2024 to 30 September 2024, the amount of such transactions between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates was RMB57 million. It is estimated that by the end of 2024, the actual transaction amount will not exceed the anticipated transaction amount in 2024.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the purchase of heat products and related services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2025 is estimated to be RMB200 million. The cap of the transaction amount is based on the expected need for the purchase of heat products and related services by the Company and its subsidiaries in 2025, as well as the reasonable expectations of the Company and its subsidiaries for the development of the transaction, after considering at the same time that the good cooperative relationships between the Company and Huaneng Group and its subsidiaries and associates can reduce the management and operating costs of the Company and its subsidiaries to improve the Company's operating results.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB200 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

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

The Company and its subsidiaries sell heat products and related services to Huaneng Group and its subsidiaries and associates, mainly including the sales of industrial steam, hot water and other thermal products produced by the Company's power plants and

---

## LETTER FROM THE BOARD

---

heating enterprise, and the acceptance of the entrustment of Huaneng Group and its subsidiaries and associates to sell industrial steam, hot water and other thermal products, and charge counterparties for the service fees.

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

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

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB200 million), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

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

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



---

## LETTER FROM THE BOARD

---

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

In 2024, the Ministry of Ecology and Environment issued a new quota allocation plan with even stricter limits than in previous years. According to data from the Shanghai Environment and Energy Exchange Co., Ltd., as of 31 October 2024, the total trading volume of carbon emission quotas in the national carbon market reached 494 million tons, with a total transaction value of RMB29.717 billion, marking a 43.82% increase year-over-year. The closing price on 31 October 2024 stood at RMB104.01 per ton, reflecting a 33.26% rise compared to the same period last year. Despite the upward trend of similar transactions in the market, the actual amount for trading of carbon emission reduction resources between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates remain much lower than the 2024 annual cap. The 2024 annual cap factored in the lag and significant volatility in carbon market policies and was estimated based on preliminary forecasts, whereas the actual transactional arrangements were influenced by various factors such as market prices, external quota availability, and trading strategies across regional branch companies of the Group. The low historical transaction amount for the nine months ended 30 September 2024 was mainly due to the government's delayed announcement of the national quota plan, which resulted in limited transactions in the first three quarters of 2024.

Pursuant to the Huaneng Group Framework Agreement, the transaction amount with respect to the purchase of carbon emission reduction resources and related services by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates in 2025 is estimated to be RMB1.3 billion. The cap of the transaction amount is based on the shortage of carbon emission reduction resources of the Company and its subsidiaries in 2025 and the reasonable expectation for the development of the transaction after considering that the good cooperative relationships between the Company and Huaneng Group and its subsidiaries and related parties can reduce the management and operating costs of the Company and its subsidiaries at the same time to improve the Company's operating results. The reason for increase of the estimated amount in 2025 is that the transactions are estimated and adjusted based on the Company's actual operating conditions, and the tightening of free carbon quota allocation year by year. Based on the government's draft quota allocation plan available

---

## LETTER FROM THE BOARD

---

at the time of setting the 2025 annual cap, some of the Company's power plants were projected to have quota shortages. The 2025 annual cap for transactions of this category was calculated based the Company's estimated shortage of carbon emission resources and potential rise in market prices due to future quota tightening.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB1.3 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

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

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

Pursuant to the 2024 Huaneng Group Framework Agreement regarding the sale of carbon emission reduction resources and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2024, the annual cap of the relevant transaction amount in 2024 is RMB800 million. During the period from 1 January 2024 to 30 September 2024, the aggregate transaction amount for the sale of carbon emission reduction resources and related services to Huaneng Group and its subsidiaries and associates by the Company and its subsidiaries was RMB0. It is estimated that by the end of 2024, the aggregate of the actual transaction amount will not exceed the anticipated transaction amount in 2024. The substantial difference between the estimated transaction amount and the actual transaction amount was because the Company's actual operation and market condition have changed and the third performance cycle of the State's carbon quotas will be completed in the fourth quarter. The 2024 annual cap factored in the lag and significant volatility in carbon market policies and was estimated based on preliminary forecasts, whereas the actual transactional arrangements were influenced by various factors such as market prices, external quota availability, and trading strategies across regional branch companies of the Group. The national carbon emission quota allocation plan was announced in October 2024. Due to the delayed announcement and in light of the growing price and tightened quota in the market, as disclosed in the circular, the Company decided to proceed with prudence in disposing of the quota allocated to the Group. As such, no transactions relating to the sale of carbon emission reduction resources and related services to Huaneng Group and its subsidiaries and associates were conducted during

---

## LETTER FROM THE BOARD

---

the nine months in 2024 and up to the Latest Practicable Date and the historical amount for transactions under this category for the nine months ended 30 September 2024 differs significantly from the 2024 annual cap.

The transaction amount with respect to the sale of carbon emission reduction resources and related services by the Company and its subsidiaries to Huaneng Group and its subsidiaries and associates in 2025 is estimated to be RMB1.3 billion. The cap of the transaction amount is based on the sufficiency of carbon emission reduction resources of the Company and its subsidiaries in 2025 and the reasonable expectation for the development of the transaction after considering that Huaneng Group and its subsidiaries and associates can reduce the management and operating costs of the Company and its subsidiaries at the same time to improve the Company's operating results. The reason for increase of the estimated amount in 2025 is that the transactions are estimated and adjusted based on the Company's actual operating conditions and the estimated increase in carbon trading prices. Based on the government's draft quota allocation plan available at the time of setting the 2025 annual cap, some of the Company's power plants were projected to have quota surplus. The 2025 annual cap for transactions of this category was calculated based the Company's estimated surplus of carbon emission resources and potential rise in market prices due to future quota tightening.

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rule 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB1.3 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

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

Borrowing trust loans is direct borrowing of trust loans by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates without the involvement of any agent bank as an intermediary, whereas accepting loans is organized between the Company and its subsidiaries and Huaneng Group and its subsidiaries and associates with a trustee or agent bank acting as an intermediary. The Huaneng Group Framework Agreement has also included (i) borrowing of trust loans by the Company and its subsidiaries from Huaneng Group and its subsidiaries and associates; and (ii) the provision of loans from Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries. For reasons as set out in the paragraph below, borrowing trust loans and accepting loans under the Huaneng Group Framework Agreement are exempted the reporting, announcement and the Independent Shareholders' approval

---

## LETTER FROM THE BOARD

---

requirements under the Hong Kong Listing Rules. The setting of the cap of the transaction amount (i.e. interest arising from borrowing of the relevant trust loans) of the trust loans to be borrowed and the transaction amount (i.e. the amount of the loans accepted) of the loans received is to comply with the disclosure requirements under the SSE Listing Rules. The cap of the amount of interest arising from the transactions (i.e. interest arising from borrowing of the relevant trust loans) of the trust loans borrowed for 2025 is expected to be RMB800 million and the maximum daily balance for the loans received for 2025 is expected to be RMB16 billion or its equivalent in foreign currency.

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

**(13) *Accepting factoring services***

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

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

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

---

## LETTER FROM THE BOARD

---

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

As none of the applicable percentage ratios relating to the scale of the transactions in question calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceed 5%, such transactions are only subject to the reporting and announcement requirements under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but are exempt from the Independent Shareholders' approval requirements. In addition, the Company will, with respect to the transactions in question, comply with the requirements under Rules 14A.55 to 14A.59 of the Hong Kong Listing Rules in respect of the annual review of these continuing connected transactions. If the actual aggregate amount of such transactions during the year ending 31 December 2025 exceeds the above cap (i.e. RMB4 billion), the Company will further comply with the requirements under Rule 14A.54 of the Hong Kong Listing Rules.

### **3. Measures to Safeguard the Interest of the Independent Shareholders**

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

- the continuing connected transactions contemplated under the Huaneng Group Framework Agreement are conducted on a non-exclusive basis;
- for transactions relating to the purchase of ancillary equipment and parts, the Company will proceed in accordance with the Company's procurement policy, which mainly stipulates that the Company will, from time to time, obtain quotations from large scale suppliers (excluding Huaneng Group and its subsidiaries and associates) and/or invite tenders from multiple suppliers and/or in certain circumstances make price enquiries. According to the Company's procurement policy, in addition to the offer of same or more favourable terms by the counterparty in a transaction, the Company will also consider other factors, including the corporate background of the counterparty, its reputation and reliability, its ability to conduct the transaction in accordance with the

---

## LETTER FROM THE BOARD

---

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

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

---

## LETTER FROM THE BOARD

---

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

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

---

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



---

## LETTER FROM THE BOARD

---

- for borrowing trust loans and accepting loans with Huaneng Group and its subsidiaries and associates will be considered in accordance with the Company's management regulations and internal control requirements, combined with the overall capital scale, actual business needs, changes in the capital market and funds available through financial institutions, so as to maximize the Company's interests;
- For the provision of factoring services by Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries, subject to compliance with the relevant rules and regulations of relevant regulatory authorities and relevant requirements, the financing fee shall not be higher than that determined by an independent third-party factoring company for providing the same kind of services to the Company, and shall be determined on normal commercial terms;
- the contract management department will strictly review contracts, the contract enforcement department will timely monitor the amount of connected transactions, and the relevant functional departments will supervise the compliance monitoring in production and operation. In addition to the annual review of the performance of specific contracts by the independent non-executive Directors and the Company's auditors, the Company's supervisory committee will also monitor the working arrangements involved in the Company's continuing connected transactions, and review whether the Company's transactions are fair and conducted at reasonable transaction prices.

#### IV. HUANENG FINANCE FRAMEWORK AGREEMENT

##### 1. Introduction

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

##### 2. Particulars of Transactions

###### (1) *Deposit Services*

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

---

## LETTER FROM THE BOARD

---

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

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

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

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

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

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

---

## LETTER FROM THE BOARD

---

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

- the transactions under the Huaneng Finance Framework Agreement are conducted on a non-exclusive basis;
- the Finance Department of the Company implements an interest rate adjustment mechanism. Before conducting relevant transactions with Huaneng Finance, on aspect of deposit, it will review whether the terms of deposit provided by Huaneng Finance are not inferior to the average interest rate over similar deposit for the same period obtained by the Company and its subsidiaries from the five state-owned banks: The Bank of China Limited, Agricultural Bank of China Limited, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation and Bank of Communications Co., Ltd., and on aspect of credit services and note discounting services, it will review whether the terms provided by Huaneng Finance to the Company and its subsidiaries are no less favourable than the terms that the Company and its subsidiaries can obtain from independent third parties. It enables the Company to obtain the most favorable terms on deposit services, credit services and note discounting services and maximize the Company's overall interests in transactions, and reduce the Company's transaction costs and time;
- the Company will conduct quarterly checking and settlement with related parties (including Huaneng Finance) in relation to the operational fund transfers in order to ensure the safety of funds;
- the Company will strictly review contracts and timely monitor the amount and interest rate of the deposit transactions; also, the independent non-executive Directors and the Company's auditors will review annually the performance of agreements, in order to review the Company's deposit transactions with Huaneng Finance on their fairness and the amount and interest rate of the deposit transactions on their reasonableness.
- The Directors are of the view that the deposit transactions do not have any effect on the assets and liabilities of the Company. Instead, the Company can earn interests from the deposit transactions.

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

- (a) The increase of the cap on the maximum outstanding balances of the deposits (on daily basis) is to meet the business development of the Company. At the same time, as most of the electricity payments are usually made by the local power grid companies towards the end of each month, there is a gap between the existing cap on the maximum outstanding balances of the deposits (on daily basis) and the practical need. If the maximum outstanding balances of the

---

## LETTER FROM THE BOARD

---

deposits (on daily basis) were not adjusted, the Company would spend more administrative costs in relocating the funds under its control more frequently so as to maintain and monitor such balance to a level not to exceed the maximum cap, thus increasing the Company's compliance risks.

- (b) Loans from Huaneng Finance have to be placed in designated account with Huaneng Finance. Like the arrangement with other commercial banks, the loans offered by Huaneng Finance are all required to be deposited in the Company's designated deposits account with Huaneng Finance. The deposit transactions with Huaneng Finance help the Company systemically manage the capital utilization. Being familiar with the business and operation of the Company, Huaneng Finance is able to provide more cost-efficient, convenient, comprehensive and personalised financial services to the Company than the deposit services provided by other commercial banks.
- (c) The deposit interest rates offered to the Company. The deposit interest rates to be offered by Huaneng Finance will be at least equal to or no less favourable than the then prevailing deposit rates offered to the Company by the five major state-owned commercial banks, namely The Bank of China Limited, Agricultural Bank of China Limited, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation and Bank of Communications Co., Ltd. for provision of similar services.
- (d) The Company has been a shareholder holding a 20% equity interest in Huaneng Finance since December 2005. The profit growth of Huaneng Finance derived from the Company's support to Huaneng Finance will provide a higher investment return to the Company.

(2) *Note Discounting Services and Credit Services*

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

Pursuant to the 2022-2024 Huaneng Finance Framework Agreement, the Company's total transaction amount relating to the note discounting is RMB4 billion for each of 2022, 2023 and 2024, and the maximum daily loan balance of loans is RMB23 billion

---

## LETTER FROM THE BOARD

---

(or its equivalent in foreign currency) for 2022 while the maximum daily loan balance of loans is RMB33 billion (or its equivalent in foreign currency) for each of 2023 and 2024.

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

### (3) *Other Financial Services*

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

- (a) bill acceptance services;
- (b) arranging entrustment loans for the Group as a financial agent. Huaneng Finance will not require the Group to provide any type of guarantees or securities with respect to the entrustment loan services; and
- (c) other financial services approved by the National Financial Regulatory Administration.

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

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

---

## LETTER FROM THE BOARD

---

### 3. Pricing Policies and Control Measures

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

- (a) for the deposit services, rates are no less favourable than the rates available from independent third parties such as Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications for the deposits of the same term and type in the PRC.
- (b) for the loan advancement and note discounting services, the interest rates for the loan advancement and note discounting services provided by Huaneng Finance to the Company and its subsidiaries shall be based on the loan prime rate published by the National Interbank Funding Center of the People's Bank of China. Under the same conditions, the interest rates shall not be higher than the interest rates for loans or note discounting of the same term and type offered by the five major state-owned commercial banks, namely Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications.
- (c) for Other Financial Services, the fees charged by Huaneng Finance for the bill acceptance, entrustment loan services and other financial services approved by the National Financial Regulatory Administration provided to the Company and its subsidiaries from time to time shall not be higher than the standard of fees charged by the five major state-owned commercial banks, namely Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications, for the same type of services during the same period.

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

---

## LETTER FROM THE BOARD

---

duration to process such transactions. Therefore, the Company believes that it is beneficial to improving the operating efficiency of funds for the Company and its subsidiaries if the note discounting and credit services are provided by Huaneng Finance.

#### **4. Implication Under Hong Kong Listing Rules**

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

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

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

#### **V. FAIRNESS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE HUANENG GROUP FRAMEWORK AGREEMENT AND THE HUANENG FINANCE FRAMEWORK AGREEMENT AND THEIR IMPACTS ON INDEPENDENCY OF THE COMPANY**

The Huaneng Group Framework Agreement and the Huaneng Finance Framework Agreement are signed on normal commercial terms which are fair and reasonable, with the prices/fees/interests agreed and confirmed by both parties by negotiating and concluding with arm's length terms, taking into account the then prevailing market price and conditions, and the terms of the Huaneng Group Framework Agreement and the transactions under such agreement offered to the Company and its subsidiaries by Huaneng Group and its subsidiaries and associates and Huaneng Finance are no less favourable than those available from independent third parties. The Company and its subsidiaries will sign necessary written agreements on specific transactions with Huaneng Group and its subsidiaries

---

## LETTER FROM THE BOARD

---

and associates and Huaneng Finance within the range set by the above-stated framework agreement according to actual conditions, and pay and/or charge the relevant prices/fees/interests based on the agreed method set forth in the relevant agreements.

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

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

### VI. PROPOSED CHANGE OF AUDITORS

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

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



---

## LETTER FROM THE BOARD

---

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

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

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

The Company shall seek approval from shareholders on the respective appointment of Hong Kong BDO and BDO as the international auditor and PRC auditor of the Company for the year 2025 at the extraordinary general meeting.

The proposal regarding the appointment of the auditors shall be submitted to the EGM as an ordinary resolution (being resolution no. 1 of the Notice of EGM) for consideration and approval by the Shareholders. No Shareholders are required to abstain from voting in connection with the proposal at the EGM.

### **VII. BOARD'S CONFIRMATION**

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

---

## LETTER FROM THE BOARD

---

transactions under such agreements given their management positions in Huaneng Group or its associates, abstained from voting on the Board resolutions relating to the execution of such agreements. The resolution was voted by Directors who are not connected to the transactions.

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

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

### VIII. THE EGM

The Company will convene an extraordinary general meeting on 12 December 2024 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 7,256,376,866 ordinary shares in the Company, representing approximately 46.22% of the total issued shares of the Company as at the Latest Practicable Date) will abstain from voting on the resolutions regarding (i) the continuing connected transactions (including the relevant proposed respective caps) for 2025 contemplated under the Huaneng Group Framework Agreement (being resolution no. 2 of the Notice of EGM); and (ii) the continuing connected transactions (including deposit transactions and the maximum daily balances thereof) for 2025 to 2027 contemplated under the Huaneng Finance Framework Agreement (being the resolution no. 3 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 the 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 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, Computershare Hong Kong Investor Services 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.

---

## LETTER FROM THE BOARD

---

### IX. 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 42 to 43 of this circular, and which contains their recommendations in respect 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 the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance 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 the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement and whether such transactions are in the interests of the Company and Shareholders as a whole is set out on pages 44 to 60 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 and the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance 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 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 2025 contemplated under the Huaneng Group Framework Agreement and the discloseable transactions and continuing connected transactions (including the relevant caps/maximum daily balances) for 2025 to 2027 contemplated under the Huaneng Finance Framework Agreement at the EGM.

The Directors consider that the ordinary resolutions set out in the Notice of EGM are in the interests of the Company and 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.

### X. 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

22 November 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS UNDER  
THE HUANENG GROUP FRAMEWORK AGREEMENT; AND  
DISCLOSEABLE TRANSACTIONS AND CONTINUING  
CONNECTED TRANSACTIONS UNDER THE HUANENG  
FINANCE FRAMEWORK AGREEMENT**

We, the Independent Board Committee of Huaneng Power International, Inc. (the “**Company**”), are advising the Independent Shareholders in connection with (i) the transactions relating to the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement and (ii) the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance 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 22 November 2024, 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, (i) 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; and (ii) the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance Framework Agreement constitute continuing connected transactions of the Company. Accordingly, the conduct 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 proposed caps) contemplated under the Huaneng Group

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Framework Agreement the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance 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 44 to 60 of the Circular. We have discussed the letter and the opinion contained therein with Gram Capital.

Having considered, inter alia, the factors and reasons considered by, and the opinion of, Gram Capital, as stated in its aforementioned letter, we consider (i) the transactions relating to the purchase of fuel and transportation services and accepting the technical services, engineering contracting services and other services (including the respective proposed caps) contemplated under the Huaneng Group Framework Agreement; and (ii) the deposit transactions (including the maximum daily balances thereof) contemplated under the Huaneng Finance 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 2025 contemplated under the Huaneng Group Framework Agreement (being resolution no. 2 of the Notice of EGM) and the discloseable transactions and continuing connected transactions (including the respective caps/maximum daily balances) for 2025 to 2027 contemplated under the Huaneng Finance Framework Agreement (being resolution no. 3 of the Notice of EGM) to be proposed at the EGM to be held on 12 December 2024.

Yours faithfully,

**Xia Qing, He Qiang, Zhang Liying, Zhang Shouwen, Dang Ying**  
*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

22 November 2024

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

Dear Sirs,

### **(I) CONTINUING CONNECTED TRANSACTIONS; AND (II) DISCLOSEABLE TRANSACTIONS AND 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**”); (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 “**Purchase Transactions**”); and (iii) deposit services contemplated under the Huaneng Finance Framework Agreement (the “**Deposit Services**”, together with the Purchase Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 22 November 2024 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.

#### **Purchase Transactions**

On 29 October 2024, the Company entered into the Huaneng Group Framework Agreement with Huaneng Group, its ultimate controlling shareholder, for a term commencing on 1 January 2025 and expiring on 31 December 2025. Pursuant to the Huaneng Group Framework Agreement, the Company 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.

---

## LETTER FROM GRAM CAPITAL

---

With reference to the Board Letter, the Purchase 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.

### **Deposit Services**

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

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

The Independent Board Committee comprising Mr. Xia Qing, Mr. He Qiang, Ms. Zhang Liying, Mr. Zhang Shouwen and Ms. Dang Ying (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 engaged as the independent financial adviser to (A) the Company's independent board committee and independent shareholders in respect of (i) (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); (ii) continuing connected transactions in respect of 2024 Huaneng Group Framework Agreement (details of which were set out in the Company's circular dated 20 October 2023); and (iii) continuing connected transactions in respect of the liquidity support (details of which were set out in the Company's circular dated 20 October 2023); and (B) the Company pursuant to Rule 14A.52 of the Hong Kong Listing Rules in respect of continuing connected transactions (details of which were set out in the Company's announcement dated 18 July 2024). 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.

---

## LETTER FROM GRAM CAPITAL

---

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 Transactions. We consider that we have taken sufficient and necessary steps (such as obtaining the Huaneng Group Framework Agreement and the Huaneng Finance Framework Agreement, reviewing terms of the Purchase of Fuel and Transportation Transactions, the Purchase of Technical and Engineering Contracting Transactions and the Deposit Services; and analyses on the Company's estimated figures in relation to the 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, Huaneng Finance, 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.



---

## LETTER FROM GRAM CAPITAL

---

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.

### 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 140,711MW as at 30 September 2024.

#### A. THE PURCHASE TRANSACTIONS

##### 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.

#### A1. 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 Group 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 2024 ("1H2024") (the "2024 Interim Report") and annual report for the year ended 31 December 2023 ("FY2023") (the "2023 Annual Report"), fuel cost of the Group amounted to approximately RMB68.1 billion for 1H2024 and approximately RMB156.6 billion for

---

## LETTER FROM GRAM CAPITAL

---

FY2023, accounting for approximately 66% and 67% of the total operating expenses of the Group for 1H2024 and FY2023 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.

### **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 “ (2) Purchase of fuel and transportation services” of the Board Letter.

#### ***Date of agreement***

29 October 2024

#### ***Term***

From 1 January 2025 to 31 December 2025

#### ***Subject matter and pricing policy***

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.

For our due diligence purpose, we obtained (i) four individual agreements for the Purchase of Fuel and Transportation Transactions between the Group and Huaneng Group and its subsidiaries and associates in 2024; and (ii) the latest reports of weekly prices of coal immediately prior to the date of such individual agreements. We noted from the aforesaid documents that (i) the weekly reports contained latest coal prices/index based on port and water transportation and related developments,

---

## LETTER FROM GRAM CAPITAL

---

coal prices in different locations; and transportation costs; and (ii) the coal price as shown in the individual agreements were not higher than the latest coal prices/index according to the then latest weekly reports.

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 “3. 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 nine months ended 30 September 2024 with existing annual cap for the year ending 31 December 2024; and (ii) the proposed annual cap for the year ending 31 December 2025 (the “**Purchase of Fuel and Transportation Cap**”):

	<b>For the year ending 31 December 2024  (“FY2024”) RMB’billion</b>
Existing annual cap	115.0
Historical amount	43.028 (Note)
	<b>For the year ending 31 December 2025  (“FY2025”) RMB’billion</b>
Purchase of Fuel and Transportation Cap	75.0

*Note: the figure was for the nine months ended 30 September 2024.*

---

## LETTER FROM GRAM CAPITAL

---

Detailed bases for the determination of Purchase of Fuel and Transportation Cap were set out under the section headed “ (2) Purchase of fuel and transportation services” of the Board Letter. The Purchase of Fuel and Transportation Cap for FY2025 is substantially lower than the existing annual cap for FY2024.

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 FY2025 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 FY2025 accounted for approximately 97% and approximately 3% to the total estimated demand of Purchase of Fuel and Transportation Transactions for FY2025 respectively.

To assess the fairness and reasonableness of the estimated demand of coal for FY2025, 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 FY2025.

### *Coal price*

As advised by the Directors, the estimated average raw coal price of the Group for FY2025 was made reference with, among other things, the recent average actual raw coal price of the Group. Upon our request, we were advised by the Directors regarding the average raw coal price of the Group for 1H2024. We noted that the estimated average raw coal price for FY2025 was close to (with difference of less than 5%) the average raw coal price of the Group for 1H2024.

We searched on Wind Financial Terminal and noted that the CCTD Qinhuangdao Thermal Coal Spot Price (Q4500K) (Q5000K) (Q5500K) was stable in 2024, ranging from RMB619/ton to RMB718/ton, RMB714/ton to RMB832/ton and RMB817/ton to RMB935/ton respectively. In contrast, the CCTD Qinhuangdao Thermal Coal Spot Price (Q4500K) (Q5000K) (Q5500K) ranged from (i) RMB593/ton to RMB779/ton, RMB682/ton to RMB916/ton and RMB780/ton to RMB1,024/ton for FY2023; and (ii) RMB560/ton to RMB830/ton, RMB710/ton to RMB967/ton and RMB805/ton to RMB1,020/ton for the year ended 31 December 2022 (“FY2022”).

Therefore, we consider the average estimated raw coal price of the Group for FY2025 to be reasonable.

### *Coal quantity*

To assess the fairness and reasonableness of the estimated quantity of raw coal to be purchased by the Group from Huaneng Group and its subsidiaries and associates for FY2023, we cross-checked the aforesaid estimated quantity by way of calculating the quantity of raw coal to be purchased (i.e. the implied quantity of coal to be purchased) based on the historical raw coal purchased quantity as

---

## LETTER FROM GRAM CAPITAL

---

provided by the Company. We noted (i) that the quantity of coal purchased by the Group from Huaneng Group and its subsidiaries and associates for the first half of 2023 accounted for approximately 50.1% to that for FY2023; and (ii) the quantity of coal purchased by the Group from Huaneng Group for 1H2024. Based on the aforesaid figures, implied quantity of coal purchased by the Group from Huaneng Group and its subsidiaries and associates for 2025 (after taking into account the change from implied/actual quantity of coal purchased by the Group from Huaneng Group and its subsidiaries and associates from 2023 to 2024) was close to (with difference of less than 5%) the estimated quantity of coal purchased by the Group from Huaneng Group for FY2025.

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 FY2025 is justifiable.

Having considered that (i) the average estimated raw coal price for FY2025 is reasonable; (ii) the estimated quantity of raw coal to be purchased by the Group from Huaneng Group and its subsidiaries and associates for FY2025 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 FY2025, we are of the view that the total estimated demand of coal and fuel transportation services for FY2025 is justifiable. Accordingly, we are of the view that the Purchase of Fuel and Transportation Cap for FY2025 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 2025, 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.

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.

### **A2. 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,

---

## LETTER FROM GRAM CAPITAL

---

some of the subsidiaries and associates of Huaneng Group focus on researching information technology and national new energy power generation technology, as well as equipment of thermal energy in power plants, therefore they can provide reliable and efficient services of information technology and project contracting, and can also provide advanced and comprehensive power station-specific technical services and project contracting services, which can lower the operational costs of the Company and its subsidiaries.

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 “ (4) Accepting the technical services, engineering contracting services and other services” of the Board Letter.

#### ***Date of agreement***

29 October 2024

#### ***Term***

From 1 January 2025 to 31 December 2025

#### ***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, contracting of construction works in progress, supervision of manufacture of facilities and insurance services by Huaneng Group and its subsidiaries and associates to the Company and its subsidiaries.

---

## LETTER FROM GRAM CAPITAL

---

### *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.

For our due diligence purpose, we obtained four notices of bidding results of transactions contemplated under the Purchase of Technical and Engineering Contracting Transactions in 2024, under which Huaneng Group and its subsidiaries and associates won such bidding. We noted from the notices that the prices of technical services, engineering contracting services and other services fees offered to the Group by Huaneng Group and its subsidiaries and associates were lower than those offered by independent third parties.

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.

### **Proposed annual caps**

Set out below are (i) historical amount of the Purchase of Technical and Engineering Contracting Transactions for the nine months ended 30 September 2024 with existing annual cap for FY2024; and (ii) the proposed annual cap for FY2025 (the "**Purchase of Technical and Engineering Contracting Cap**"):

---

## LETTER FROM GRAM CAPITAL

---

**For the year ending  
31 December  
2024**  
*RMB' billion*

Existing annual cap	8.4
Historical amount	1.294 (Note)

**For the year ending  
31 December  
2025**  
*RMB' billion*

The Purchase of Technical and Engineering Contracting Cap	5.5
---	-----

*Note: the figure was for the nine months ended 30 September 2024.*

Detailed bases for the determination of proposed annual cap were set out under the section headed “(4) Accepting the technical services, engineering contracting services and other services” of the Board Letter.

We noted that the historical amount for the nine months ended 30 September 2024 was substantially lower than the existing annual cap for FY2024. With reference to the Board Letter, the aforesaid lower-than-expected historical amount of the Purchase of Technical and Engineering Contracting Transactions in 2024 was due to shifts in the external environment, including intensified market competition and evolving industry policies, certain technical services and engineering contracting projects initially planned to be handled by Huaneng Group and its subsidiaries and associates in 2024 were either handled by other suppliers or delayed. Meanwhile, rapid advancements in China’s new energy power generation technology have significantly transformed the new energy materials market.

Due to the above situation, the Purchase of Technical and Engineering Contracting Cap for FY2025 was lowered as compared to the Purchase of Technical and Engineering Contracting Cap for FY2024.

Despite the reduction in the Purchase of Technical and Engineering Contracting Cap for FY2025, the Purchase of Technical and Engineering Contracting Cap for FY2025 is still higher than the historical amount of Purchase of Technical and Engineering Contracting Transactions for the nine months ended 30 September 2024. To assess the fairness and reasonableness of the Purchase of Technical and Engineering Contracting Cap, we performed the following analyses:

- According to the Company’s annual reports for each of the five years ended 31 December 2023, the average planned capital expenditure was approximately RMB54.0 billion from year 2020 to 2024. We discussed with the Directors and understood that on the assumption that the planned capital expenditure for FY2025 being at a similar level to the average planned capital expenditure for technology renovation for the above five years, the Purchase of Technical and Engineering Contracting Cap (i.e. RMB5.5 billion) was less than the average level (i.e.



---

## LETTER FROM GRAM CAPITAL

---

RMB54.0 billion), indicating that the Purchase of Technical and Engineering Contracting Cap for FY2025 was not overestimated and the possible demand of technical services, engineering contracting services and other services from Huaneng Group and its subsidiaries and associates and independent third party suppliers.

- We noted that the estimated amount for FY2025 represented a compound annual growth rate of approximately 53% as compared to that for FY2023 (being the latest full financial year immediately before the date of Huaneng Group Framework Agreement).

The Group recorded an annual growth rate of approximately 50% in actual capital expenditure from FY2022 to FY2023, which was close to the implied compound annual growth rate of approximately 53% as mentioned above.

Based on the above factors and having considered that (i) the Purchase of Technical and Engineering Contracting Cap for FY2025 was lower than that for FY2024; and (ii) it is reasonable for the Directors to determine the Purchase of Technical and Engineering Contract Cap assuming that relevant technical services and engineering contracting projects will be handled by Huaneng Group and its subsidiaries and associates in 2025 and will not be postponed for the sake of prudence, we are of the view that the Purchase of Technical and Engineering Contracting Cap for FY2025 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 2025, 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.

### **B. DEPOSIT SERVICES**

#### **Information on Huaneng Finance**

With reference to the Board Letter, Huaneng Finance is a company incorporated in the PRC, of which the principal business includes absorbing deposits of the member units, handling loans and financial leasing for the member units, assisting the member units in realizing the receipt and payment of transaction funds, providing guarantee to the member units, handling entrusted loans among the member units, handling bill acceptance and discounting for the member units, engaging in inter-bank borrowings, negotiable securities investment, etc. Huaneng Group holds 52% equity interest in Huaneng Finance. The Company holds 20% equity interest in Huaneng Finance. The remaining approximately 28% equity interests of Huaneng Finance are owned by various subsidiaries of Huaneng Group.

---

## LETTER FROM GRAM CAPITAL

---

As further advised by the Directors, Huaneng Finance is required to operate in compliance with the Administrative Measures for the Group Finance Companies\* (《企業集團財務公司管理辦法》, the “**Administrative Measures**”) promulgated by China Banking and Insurance Regulatory Commission\* (中國銀行保險監督管理委員會), which was replaced by National Financial Regulatory Administration (“**NFRA**”) in May 2023. Pursuant to the Administrative Measures, it regulates the operation of non-banking financial institutions which provide financial management services to the enterprise group member entities. The Administrative Measures set out certain compliance and risk control requirement/measures in relation to the operation of group finance companies, including but not limited to maintaining certain financial ratios at all times. Further, the parent group company and controlling shareholder(s) of group finance company shall supplement such group finance company’s capital when necessary.

Based on our discussion with Huaneng Finance, we understood that NFRA monitors Huaneng Finance’s operations and compliance with relevant laws and regulations, through on-site examinations and off-site surveillance, from time to time. The NFRA may impose corrective and punitive measures, including fines and ordering the suspension of certain business activities. According to Huaneng Finance, the NFRA has not taken any disciplinary actions, or imposed any penalties or fines on Huaneng Finance for the two years ended 31 December 2023. As further advised by Huaneng Finance, Huaneng Finance is required by the regulatory requirement to submit quarterly operational analysis report of Huaneng Finance’s business operations to the Beijing Supervision Bureau under the NFRA.

### **Reasons for and benefits of Deposit Services**

With reference to the Board Letter, the Company has been a shareholder of Huaneng Finance since December 2005 and holds 20% of its equity interest. The profit growth of Huaneng Finance derived from the Company’s support to Huaneng Finance will provide a higher investment return to the Company.

In addition, the deposit transactions with Huaneng Finance help the Company systemically manage the capital utilization. Being familiar with the business and operation of the Company, Huaneng Finance is able to provide more cost-efficient, convenient, comprehensive and personalised financial services to the Company than the deposit services provided by other commercial banks.

Pursuant to the Huaneng Finance Framework Agreement, the rates of deposit services to be offered by Huaneng Finance will be no less favourable than the rates available from independent third parties such as Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications for the deposits of the same term and type in the PRC.

In light of the above reasons, in particular, the pricing policy of the Deposit Services, we consider that the Deposit Services 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.

---

## LETTER FROM GRAM CAPITAL

---

### **Principal terms of the Deposit Services**

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

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

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

For our due diligence purpose, we obtained 21 deposit records regarding (i) deposit placed by the Group with Huaneng Finance; and (ii) deposit placed by the Group with independent third parties during the period from January 2022 (being the commencement of the existing framework agreement between the Company and Huaneng Finance) to September 2024. We noted from the aforesaid documents that the interest rates of the Group's deposits placed with Huaneng Finance were not lower than the interest rates of the Group's deposits placed with independent third parties.

With reference to the Board Letter, the Directors and senior management of the Company will monitor closely and review regularly the deposit transactions of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to the deposit transactions, the independence of the Company; the fairness of the amount of deposits; the fairness of the terms of the transactions; and the right of choice of the Company to place deposits with independent third parties other than Huaneng Finance. Having considered that there will be deposit rates collection procedures before the placing of deposits in Huaneng Finance, we consider the effective implementation of the internal control procedures would help to ensure fair pricing of the Deposit Services according to the pricing policies.

### **The annual caps under the Deposit Services**

Set out below are (i) the historical maximum outstanding daily balances of the deposits placed by the Group with Huaneng Finance for the two years ended 31 December 2023 and nine months ended 30 September 2024 with existing annual caps; and (ii) the proposed annual caps for the three years ending 31 December 2027:

---

## LETTER FROM GRAM CAPITAL

---

	For the year ended 31 December 2022 <i>(RMB'billion)</i>	For the year ended 31 December 2023 <i>(RMB'billion)</i>	For the year ending 31 December 2024 <i>(RMB'billion)</i>
Historical maximum outstanding daily balances of the deposits placed with Huaneng Finance by the Group	19.991	19.9997	19.990 (Note)
Maximum balance of deposits to be placed with Huaneng Finance by the Group (the “Existing Deposit Caps”)	20.00	20.00	20.00
Utilisation rates	99.96%	approximately 100%	99.95%
	For the year ending 31 December 2025 <i>(RMB'billion)</i>	For the year ending 31 December 2026 <i>(RMB'billion)</i>	For the year ending 31 December 2027 <i>(RMB'billion)</i>
Maximum balance of deposits to be placed with Huaneng Finance by the Group (the “New Deposit Caps”)	22.00	22.00	22.00

*Note: the figure was for the nine months ended 30 September 2024.*

The detailed bases for the determination of the New Deposit Caps are set out under the sectioned headed “(1) Deposit Services” of the Board Letter.

According to the above table, the Existing Deposit Caps for FY2022 and FY2023 were almost fully utilized. We also noted that the New Deposit Caps for the three years ending 31 December 2027 represented a substantial increase of 10% as compared to the Existing Deposit Caps for the three years ending 31 December 2024.

To assess the fairness and reasonableness for the New Deposit Caps for the three years ending 31 December 2027, in particular the substantial increase of 10%, we conducted following analyses:

- We noted from the Company’s quarterly report for the nine months ended 30 September 2024, as at 30 September 2024, the Group recorded (i) cash and cash equivalents of approximately RMB26.6 billion; and (ii) note receivable and accounts receivable (which may be converted to cash when settled) of approximately RMB47.7 billion. The summation of the aforesaid two items amounted to approximately RMB74.3 billion (the “**Summation**”). The Summation (which is larger than the New Deposit Caps) indicates the Group’s possible demand of deposit services to be provided by commercial banks and Huaneng Finance.
- The New Deposit Caps of RMB22 billion represented an increase of approximately RMB2 billion as compared to the Existing Deposit Caps of RMB20 billion (the “**Increase**”).

---

## LETTER FROM GRAM CAPITAL

---

We summarised relevant financial information of the Group (i) for the nine months ended 30 September 2024 (being the latest available information immediately prior to the date of Huaneng Finance Framework Agreement); and (ii) for the nine months ended 30 September 2021 (being the latest available information immediately prior to the date of the 2022-2024 Huaneng Finance Framework Agreement):

	<b>As at</b> <b>30 September 2024</b> <i>(RMB' billion)</i>	<b>As at</b> <b>30 September 2021</b> <i>(RMB' billion)</i>	<b>Change</b> <i>(RMB' billion)</i>
Cash and cash equivalents	26.6	13.9	12.7
Note receivable and accounts receivable	47.7	38.4	9.3
The Summation	74.3	52.3	22.0

	<b>For the</b> <b>nine months ended</b> <b>30 September 2024</b> <i>(RMB' billion)</i>	<b>For the</b> <b>nine months ended</b> <b>30 September 2021</b> <i>(RMB' billion)</i>	<b>Change</b> <i>(RMB' billion)</i>
Total operating revenue	184.396	145.005	39.391

Based on the above table, we noted that the Group recorded substantial increases in total operating revenue for the nine months ended 30 September 2024 and the Summation as at 30 September 2024 (being the latest available information immediately prior to the date of Huaneng Finance Framework Agreement) as compared to total operating revenue for the nine months ended 30 September 2021 and the Summation as at 30 September 2021 (being the latest available information immediately prior to the date of the 2022-2024 Huaneng Finance Framework Agreement). Having considered the above findings, we consider the Increase to be acceptable.

- As advised by the Directors, it is difficult to forecast the total cash level for whole period for the three years ending 31 December 2027. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction to revise the annual caps.

In light of the above factors, we consider that the New Deposit Caps, which are the same for each of the three years ending 31 December 2027, are fair and reasonable.

In light of the above, we are of the view that the terms of the Deposit Services (including the New Deposit Caps) 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 value/maximum value of the Transactions must be restricted by the relevant annual caps (if applicable); (ii) the terms of the Transactions (together with the

---

## LETTER FROM GRAM CAPITAL

---

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.

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/maximum 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.

### 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 resolutions 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 around 30 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 Hong Kong 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 Hong Kong 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 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
Huaneng International Power Development Corporation (Note 2)	Domestic shares	5,066,662,118(L)	Beneficial owner	32.28%(L)	46.07%(L)	-
China Huaneng Group Co., Ltd. (Note 3)	Domestic shares	1,586,118,748(L)	(Note 3)	10.10%(L)	14.42%(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 4)	H Shares	603,596,000(L)	Beneficial owner	3.84%(L)	-	12.84%(L)
Shanghai Wisdomshire Asset Management Co., Ltd.	H Shares	473,176,500 (L)	Investment manager	3.01%(L)	-	10.07%(L)

*Note:*

- (1) The letter "L" denotes a long position. The letter "S" denotes a short position.
- (2) As of the Latest Practicable Date, Huaneng Group holds 75% direct interests and 25% indirect interests in HIPDC.
- (3) Of the 1,586,118,748 domestic shares, 30,994,199 domestic shares are held by Huaneng Group through its concerted party, Huaneng Structural Adjustment No.1 Securities Investment Private Fund.
- (4) Huaneng Group holds 472,000,000 H shares through its wholly owned subsidiary, Hua Neng 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. Du Daming is deputy chief economist of Huaneng Group;
- (iii) Mr. Zhou Yi is the general legal counsel, chief compliance officer and chief of Corporate Law Department of Huaneng Goup; and



- (iv) Mr. Li Lailong is the chief of the Strategic Department Strategic Innovation Department (戰新部) of Huaneng Group.

*Supervisors*

- (i) Mr. Cao Shiguang is the deputy chief accountant, chief of Finance and Assets Department;
- (ii) Mr. Xia Aidong is the chief of Audit Department of Huaneng Group; and
- (iii) Mr. Song Taiji is vice president of Hua Neng HK.

**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 2023, 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:

<b>Name</b>	<b>Qualification</b>
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 2023 (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 2023 (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 Computershare Hong Kong Investor Services 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) Huaneng Group Framework Agreement; and
- (b) Huaneng Finance Framework Agreement.

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

**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  
FORMATION OF A JOINT VENTURE****FORMATION OF A JOINT VENTURE**

On 29 October 2024, the Company entered into the Joint Venture Agreement with Huaneng Hydropower, pursuant to which, the Company and Huaneng Hydropower will jointly fund the establishment of Yuwang Company. The Company will contribute RMB1,509.6 million and Huaneng Hydropower will contribute RMB1,450.4 million. After the completion of the Transaction, the Company will hold 51% of the equity interests of Yuwang Company, while Huaneng Hydropower will hold 49% of the equity interests of Yuwang Company.

As of the date 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 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, Hua Neng HK, a 0.84% indirect interest in the Company through Huaneng Treasury, its indirect wholly-owned subsidiary, and a ~~0.13%~~0.20% indirect interest in the Company through Huaneng Structural Adjustment No.1 Securities Investment Private Fund, its concerted party, ~~and a 0.06% indirect interest in the Company through its subsidiary, Huaneng Finance.~~ Huaneng Hydropower is a subsidiary of Huaneng Group. According to the Hong Kong Listing Rules, Huaneng Hydropower is connected person/associate of the Company, the Transaction constitutes a connected transaction of the Company.

**IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

According to the relevant percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Transaction does not constitute a notifiable transaction under Chapter 14 of the Hong Kong Listing Rules. However, the Transaction constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio as calculated under Rule 14.07 of the Hong Kong Listing Rules which determines the scale of the Transaction exceeds 0.1% but is less than 5%, the Company is only required to comply with the reporting and announcement requirement under the Hong Kong Listing Rules but is exempt from independent shareholders' approval requirement.

**I. INTRODUCTION**

On 29 October 2024, the Company entered into the Joint Venture Agreement with Huaneng Hydropower, pursuant to which, the Company and Huaneng Hydropower will jointly fund the establishment of Yuwang Company. The Company will contribute RMB1,509.6 million and Huaneng Hydropower will contribute RMB1,450.4 million. The Transaction will be funded by the Company's internal cash surplus. After the completion of the Transaction, the Company will hold 51% of the equity interests of Yuwang Company, while Huaneng Hydropower will hold 49% of the equity interests of Yuwang Company.

**II. RELATIONSHIP AMONG THE COMPANY, HUANENG GROUP AND HUANENG HYDROPOWER**

The Company and its subsidiaries mainly develop, construct, operate and manage large-scale power plants in China. It is one of the largest listed power suppliers in China. As of 30 September 2024, the Company's controlled generation capacity is 140,711 MW.

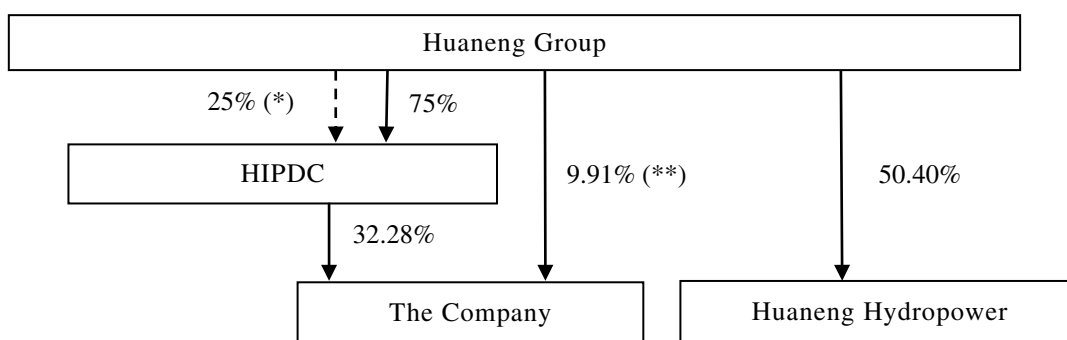
Huaneng Group is principally engaged in the operation and management of enterprise investments, the development, investment, construction, operation and management of power plants; organising the generation and sale of power (and heat); and the development, investment, construction, production and sale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

As of the date 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-controlled central enterprise primarily engaged in the power industry, and is under the supervision of the State-owned Assets Supervision and Administration Commission. Huaneng Group also holds a 9.91% direct interest in the Company and 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 0.13%0.20% indirect interest in the Company through Huaneng Structural Adjustment No.1 Securities Investment Private Fund, its concerted party, ~~and a 0.06% indirect interest in the Company through its controlling subsidiary, Huaneng Finance.~~ Huaneng Group is the ultimate controlling shareholder of the Company.

Huaneng Hydropower is a company incorporated in China in 2001 with a registered capital of RMB18 billion. The shares of Huaneng Hydropower are listed on the Shanghai Stock Exchange (Stock Code: 600025). Huaneng Hydropower is primarily engaged in the development, construction, production, operation, and product sales of domestic and international electricity and other energy resources; investment, consultation, maintenance, repair, and management services for electricity and other energy projects; investment, development, construction, production, operation, and product sales in related extended industries; and procurement, sales, and import and export of materials.

As per Huaneng Hydropower's audited financial statements prepared in accordance with Chinese Accounting Standards, as at 31 December 2023, Huaneng Hydropower's total assets were RMB195.2 billion, with total liabilities amounting to RMB124.5 billion, and the net assets standing at RMB70.7 billion. In 2023, Huaneng Hydropower achieved a total operating revenue of RMB23.5 billion, and a net profit of RMB8.2 billion. Huaneng Hydropower is a subsidiary controlled by Huaneng Group. Under the Hong Kong Listing Rules, Huaneng Hydropower is connected person/associate of the Company and the Transaction constitutes a connected transaction of the Company.

As of the date of this announcement, the relationship among the Company, Huaneng Group and Huaneng Hydropower is illustrated as follows:



\* Huaneng Group, through its wholly-owned subsidiary, Hua Neng HK, indirectly holds 100% of 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, a 3.01% indirect interest in the Company through Hua Neng HK (a wholly-owned subsidiary of Huaneng Group), a 0.84% indirect interest in the Company through Huaneng Treasury (an indirect wholly-owned subsidiary of Huaneng Group), and a ~~0.13%~~0.20% indirect interest in the Company through Huaneng Structural Adjustment No.1 Securities Investment Private Fund, its concerted party, ~~and a 0.06% indirect interest in the Company through Huaneng Finance (a subsidiary of Huaneng Group).~~

**III. THE TRANSACTION**

The principal terms of the Joint Venture Agreement are set out as follows:

1. Date: 29 October 2024
2. Parties: (1) the Company; and  
(2) Huaneng Hydropower
3. Registered Capital and Equity Ratio The registered capital of Yuwang Company shall be RMB2,960 million, of which, the Company will contribute RMB1,509.6 million in cash, accounting for 51% of the registered capital, Huaneng Hydropower will contribute RMB1,450.4 million, accounting for 49% of the registered capital.
4. Principles of Capital Contribution The Company and Huaneng Hydropower shall complete the capital contribution within the capital contribution period (i.e., before 31 December 2029) in accordance with the requirements of the local government, the progress of the construction of the project after the fulfillment of the investment decision-making procedures of the two parties, at the same time and in proportion to their respective shareholdings. In the event of subsequent capital increase in accordance with the development of the project, both shareholders shall increase the capital in proportion to their respective shareholdings.
5. Corporate Structure Yuwang Company will form a board of directors consisting of five members, including two recommended by the Company, two recommended by Huaneng Hydropower, and one employee representative director. The chairman of the board of directors shall be a director recommended by the Company.
6. Effectiveness The Joint Venture Agreement shall become effective upon being duly signed by both parties.

**IV. PURPOSE OF THE TRANSACTION AND THE EFFECT ON THE COMPANY**

The capital raised from the capital contribution totaling RMB2,960 million will be utilized by Yuwang Company for the development and operation of a 2×1 million kW coal power project and ancillary new energy projects.

Since the 14th Five-Year Plan, Yunnan Province has faced a “dual shortage of installed generation capacity and power supply”, creating a critical need to secure a reliable electricity supply. This shortage is anticipated to persist into the 15th Five-Year Plan. To address this, a 2×1 million kW coal-fired power project is essential for ensuring Yunnan’s energy security and enhancing the stability of its power system. Recognizing the importance of this project, the Yunnan Provincial Government has included the 2×1 million kW coal power initiative in its 14th Five-Year Plan, mandating its expedited commencement, with an accompanying requirement for an integration of new energy sources.

The joint development of Yuwang Company’s coal power and new energy projects will significantly enhance the reliability and stability of new energy utilization. This initiative will also support large-scale wind and photovoltaic power development, contributing to the optimization of the Company’s power structure in Yunnan, boosting multi-energy complementarity, and accelerating the establishment of a cohesive coal power and new energy framework. Ultimately, it will maximize the Company’s benefits and further its long-term growth in Yunnan.

As such, the Transaction is designed to fulfill the national energy supply requirements and will help the Company secure resources for new energy projects and facilitate the joint operation of the Company’s thermal power and new energy sectors, which will be conducive to the sustainable development of the Company.

Following completion of the Transaction, Yuwang Company will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company. The Transaction will not have a significant impact on the Company’s financial position, nor will it jeopardise the interest of the Company and its shareholders.

## **V. IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

According to the relevant percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Transaction does not constitute a notifiable transaction under Chapter 14 of the Hong Kong Listing Rules. However, the Transaction constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio as calculated under Rule 14.07 of the Hong Kong Listing Rules which determines the scale of the Transaction exceeds 0.1% but is less than 5%, the Company is only required to comply with the reporting and announcement requirement under Rules 14A.71 and 14A.35 of the Hong Kong Listing Rules but is exempt from independent shareholders’ approval requirements.

## **VI. BOARD APPROVAL**

On 29 October 2024, the ninth meeting of the eleventh session of the Board of the Company has considered and approved the resolution regarding the Transaction. According to the SSE Listing Rules and the Hong Kong Listing Rules, Messrs. Wang Kui, Wang Zhijie, Huang Lixin, Du Daming, Zhou Yi and Li Lailong, all being Directors of the Company having connected relationship, abstained from voting on the resolution relating to the Transaction. Save as disclosed above, no other Directors



are considered to have a material interest in the Transaction and/or the Joint Venture Agreement, nor are there any other Directors required to abstain from voting on the board resolution approving the Transaction and/or the Joint Venture Agreement.

The Directors (including the independent non-executive Directors) are of the view that the Joint Venture Agreement and the Transaction were entered into: (i) on normal commercial terms (on arm's length basis or on terms no less favorable 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.

## **VII. DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	board of directors of the Company
“Company”	Huaneng Power International, Inc.
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company (including independent non-executive director(s))
“HIPDC”	Huaneng International Power Development Corporation
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Huaneng Finance”	China Huaneng Finance Corporate Limited
“Huaneng Group”	China Huaneng Group Co., Ltd.
“Huaneng Hydropower”	Huaneng Lancang River Hydropower Inc.
“Hua Neng HK”	China Hua Neng Group Hong Kong Limited
“Huaneng Treasury”	China Huaneng Group Treasury Management (Hong Kong) Limited

“Joint Venture Agreement”	the Joint Venture Agreement for the Yuwang Phase II Thermal Power and New Energy Joint Operation Project entered into among the Company and Huaneng Hydropower on 29 October 2024
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SSE Listing Rules”	Rules Governing the Listing of Securities on Shanghai Stock Exchange
“Transaction”	the establishment of the Yuwang Company by the Company and Huaneng Hydropower pursuant to the Joint Venture Agreement
“Yuwang Company”	Huaneng Yuwang Phase II Energy Co., Ltd. (provisional name, subject to final approval by the market supervision and administration department) to be established by the Company and Huaneng Hydropower

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

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

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

Beijing, the PRC  
22 November 2024



# 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 2024 FIRST EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2024 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 12 December 2024 at Conference Room A102, the headquarters of the Company, Huaneng Building, 6 Fuxingmennei Street, Xicheng District, Beijing, the PRC for the purposes of considering and approving the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 22 November 2024.

### ORDINARY RESOLUTIONS

1. To consider and approve the proposal regarding appointment of the auditors of the Company for 2025 (*Note 1*);
2. To consider and approve the proposal regarding the continuing connected transactions for 2025 between the Company and Huaneng Group (*Note 2*); and
3. To consider and approve the proposal regarding the entering into of the Financial Services Agreement for years from 2025 to 2027 between the Company and China Huaneng Finance Corporation Limited (*Note 3*).

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*)

Wang Zhijie (*Executive Director*)

Huang Lixin (*Executive Director*)

Du Daming (*Non-executive Director*)

Zhou Yi (*Non-executive Director*)

Li Lailong (*Non-executive Director*)

Cao Xin (*Non-executive Director*)

Li Haifeng (*Non-executive Director*)

Ding Xuchun (*Non-executive Director*)

Wang Jianfeng (*Non-executive Director*)

Xia Qing (*Independent Non-executive Director*)

He Qiang (*Independent Non-executive Director*)

Zhang Liying (*Independent Non-executive Director*)

Zhang Shouwen (*Independent Non-executive Director*)

Dang Ying (*Independent Non-executive Director*)

Beijing, the PRC

22 November 2024

*Notes:*

1. Please refer to the section headed **VI. PROPOSED CHANGE OF AUDITORS** of the Company's circular dated 22 November 2024 for further details.
2. For further details regarding the Huaneng Group Framework Agreement entered into between the Company and Huaneng Group and the transactions contemplated thereunder (including the respective annual caps thereof), please refer to the section headed **III. HUANENG GROUP FRAMEWORK AGREEMENT** set out in the Company's circular dated 22 November 2024.
3. For further details regarding the Financial Services Agreement entered into between the Company and China Huaneng Finance Corporation Limited and the transactions contemplated thereunder (including the respective annual caps/the maximum daily balances thereof), please refer to the section headed **IV. HUANENG FINANCE FRAMEWORK AGREEMENT** set out in the Company's circular dated 22 November 2024.

**4. 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 Computershare Hong Kong Investor Services 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.

**5. 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 may send the above-mentioned documents to the Company in person, by post or by fax.

**6. 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 9 December 2024 to 12 December 2024 (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, Computershare Hong Kong Investor Services 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 6 December 2024. Shareholders of H shares whose names are recorded in the register of members of the Company on 9 December 2024 are entitled to attend the Extraordinary General Meeting.

**7. 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, Computershare Hong Kong Investor Services Limited, is set out as follows:

Shops 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: Hu Boxuan/Xie Meixin  
Telephone No: (+86)10-6322 6557/(+86)10-6322 6590  
Email address: huboxuan@hpi.com.cn/xiemx@hpi.com.cn

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

**8. 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.