

CHAIRMAN'S STATEMENT

Dai Jun
Chairman

Dear Shareholders,

In 2023, the Group earnestly implemented the decisions and arrangements made by the Board of Directors (the “**Board**”) of the Company, and actively responded to the impact of the complex and severe macroeconomic situation. With the goal of building a strong and large first-class energy listed company, the Group focused on improving the quality of the listed company, strove for the goal, did solid work, overcame difficulties and acted proactively, and surpassed the annual targets and tasks, thus constantly making new achievements and taking its business to a new level.

The Group stood the tests of sustained water shortages in the first half of the year, multiple rounds of high temperatures in summer and wide-range extreme cold in winter, and provided strong electric power guarantee for socio-economic development and people's better life. Electricity supply was safe and steady, electricity consumption was stable with good momentum, electricity supply and demand achieved overall balance, and the green and low-carbon transition of electricity continued to promote.

In terms of results of operations, the turnover of the Group was approximately RMB116,376 million; the earnings for the year attributable to equity holders of the Company was approximately RMB4,601 million; the basic earnings per share was approximately RMB0.355. The power generation was 223.80 million MWh, representing an increase of approximately 1.30% as compared with the same period of the previous year; the heat generation amounted to 172 million GJ, representing an increase of approximately 3.27% as compared with the same period of the previous year. The total coal consumption for power supply was 289.34g/KWh, representing a year-on-year increase of 2.23g/KWh. As at the end of the year, the liabilities to assets ratio was 62.07%, remaining at the excellent level among listed companies in the same industry.

In terms of project development, the power supply projects that have been put into operation by the Group in 2023 amounted to approximately 3,695.54 MW, including 3,020 MW efficient coal-fired generating units, and 675.54 MW gas-fired generating units. As of the date of this report, the Group's controlled installed capacity was 58,449.78 MW. The Group made great efforts to develop high-quality conventional energy, deployed pumped storage project resources at various locations, so as to provide new businesses for the Group's transformation development. The Group also actively developed strategic emerging industries, and actively carried out research on “Three New” businesses to provide support for the Company's expansion in energy storage, carbon control and pollution reduction and other technology applications.

In terms of production safety, in 2023, the Group coordinated development and safety, strictly implemented the “15 Specific Measures” for safety production, and did a good job in safety production, electricity and heat supply, the construction of a dual-precaution mechanism and emergency response. Work plans were formulated to continuously strengthen the foundation of safety management, including seasonal inspections, flood fighting and prevention, “production safety month”, power generation safety and energy supply assurance in winter.

CHAIRMAN'S STATEMENT (CONTINUED)



In terms of environmental protection, the Group earnestly performed the environmental protection responsibility for compliant discharge, assiduously carried out supervision and benchmarking on major energy-consumption indicators, and put forward targeted energy conservation and consumption reduction proposals in time, so as to dynamically optimize the Group's coal consumption and maintain the leading level in the industry. We monitored real-time carbon market dynamics, stayed informed about the ongoing progress in constructing the carbon market and its operating model. Furthermore, we promote the development of the Group's carbon asset visualization analysis and business performance evaluation system, so as to elevate the standards of carbon asset management and operation.

In terms of profit distribution, the Group implemented a continuous, stable and active profit distribution policy under the principle of focusing on reasonable investment returns for shareholders, in consideration of the overall interests of all shareholders, the long-term interests and reasonable capital needs of the Company. It is expected to propose a dividend of RMB0.15 per share (tax inclusive), based on the total share capital of 10,227,561,133 shares, totaling approximately RMB1,534,134.17 thousand (tax inclusive) for 2023 at the Seventh Meeting of the Tenth Session of the Board of the Company.

The year 2023 was a year of making progress while maintaining stability, and scoring remarkable achievements. The Group won the rating of A in information disclosure on the Shanghai Stock Exchange for the ninth year in a row, the "Best Listed Company", China Securities Golden Bauhinia Awards for the fifth year in a row, the Grade A credit rating taxpayer for the fourth year in a row, and the "Golden Bull Award for Top 100 Enterprises" of the First Guoxin Cup. The Board of the Company won the "Best Practice Case in 2023" from the China Association for Public Companies. Our outstanding achievements depend on the active efforts and hard work of all employees, as well as the constant trust and support of shareholders, and continuous care and help from all walks of life. I would like to express my heartfelt thanks to them!

In 2024, the Company will stand on a new development stage to implement a new development philosophy and foster a new development paradigm. The Company will adhere to the general tone of making progress while maintaining stability. Based on quality improvement, efficiency enhancement, corporate governance by law, and compliant operation, the Company will take reform and innovation as the driving force to continuously optimize and adjust the arrangement structure with a focus on high-quality development, so as to improve its vitality in the reform and development, and accelerate the establishment of a first-class listed energy company with international reputation.

BUSINESS REVIEW AND OUTLOOK



Chen Bin
General Manager

BUSINESS REVIEW

(1) Power Generation

As of the date of this report, the Group's total controlled installed capacity amounted to 58,449.78 MW. Power generation by the Group in 2023 amounted to 223.80 million MWh, representing an increase of approximately 1.30% compared with the same period of the previous year. The volume of on-grid power sold amounted to 209.55 million MWh, representing an increase of approximately 1.21% compared with the same period of the previous year. The annual utilization hours of the Group's generating units were 3,956 hours, among which the utilization hours of coal-fired generating units were 4,301 hours, the utilization hours of natural gas-fired generating units were 2,188 hours, and the utilization hours of hydropower generating units were 3,795 hours. The coal consumption for power supply was 289.34g/KWh in aggregate.

(2) Turnover

In 2023, the Group's turnover amounted to approximately RMB116,376 million, representing an increase of approximately 9.83% over 2022; of which revenue generated from sale of electricity amounted to approximately RMB96,152 million, representing an increase of approximately 0.69% over 2022; revenue generated from sale of heat amounted to approximately RMB9,624 million, representing an increase of approximately 7.28% over 2022; revenue generated from sale of coal amounted to approximately RMB10,601 million, representing an increase of approximately 609.59% over 2022.

(3) Profit

In 2023, the Group's operating profit amounted to approximately RMB4,101 million, representing an increase of approximately RMB8,285 million over 2022 (restated), mainly due to the combined impact of the Group's lower fuel prices, incremental benefits contributed by the operation of new projects and the decrease in investment income from the invested coal enterprises. For the year ended 31 December 2023, the profit for the year attributable to equity holders of the Company amounted to approximately RMB4,601 million, the profit for the year attributable to equity shareholders of the Company amounted to approximately RMB3,594 million, and the basic earnings per share was approximately RMB0.355.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(4) The Capacity of Newly-added Generating Units

During the reporting period, the details of the Group's newly-added generating units are as follows:

Projects	Category	Capacity (MW)
Shantou Company	Coal-fired	1,360
Pingjiang Company	Coal-fired	1,000
Longkou Company	Coal-fired	660
Tianjin Development Area Branch Company	Coal-fired	170
Qingdao Company	Gas-fired	505.54
Total	/	3,695.54

(5) Generating Units Approved and under Construction

As of 31 December 2023, the Group's major generating units approved and under construction are as follows:

Company/Project Name	Category	Planned new installed capacity (MW)
Guangdong Huadian Huizhou Energy Company Limited ("Huizhou Company")	Gas-fired generating units	2 x 535
Huadian Jinan Zhangqiu Thermal Power Company Limited ("Zhangqiu Thermal Power")	Gas-fired generating units	2 x 501.65
Qingdao Company	Gas-fired generating units	1 x 505.54
Chongqing Tongnan Gas Turbine Project	Gas-fired generating units	2 x 500
Huadian Shantou Energy Company Limited ("Shantou Energy")	Coal-fired generating units	2 x 1,000
Longkou Company	Coal-fired generating units	1 x 660
Zhejiang Huadian Wuxi River Hybrid Pumped Storage Power Generation Company Limited ("Wuxi River Company")	Pumped storage generating unit	298
Total	/	6,536.84

BUSINESS OUTLOOK

(1) Competitive Landscape in the Industry and Development Trend

The Central Economic Work Conference emphasized that we should adhere to the principles of seeking progress while maintaining stability, promoting stability through making progress, and breaking old concepts before innovation, firmly grasp the primary task of high-quality development, continuously consolidate and enhance the trend of economic recovery, and focus on expanding China's domestic demand and high-level of opening up to the outside world, all of which will effectively stimulate the growth in electricity demand.

According to the analysis and forecast on the national power supply and demand in 2024 by China Electricity Council, in terms of power demand, the national electricity consumption is expected to grow steadily in 2024. Taking into account the macroeconomic growth, electrification of terminal energy consumption equipment and other factors, and based on the prediction results of the electricity consumption by different methods, it is expected that the electricity

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

consumption of the entire society in China will be 9.8 trillion KWh in 2024, representing an increase of about 6% as compared with 2023. In terms of power supply, it is expected that the new installed generating capacity will exceed 300 million KW again in 2024, and the total installed generating capacity in China will reach 3.25 billion KW by the end of 2024, representing a year-on-year increase of about 12%. The thermal power installed capacity will reach 1.46 billion KW, of which the coal-powered installed capacity will reach approximately 1.2 billion KW. It is expected that the national power supply and demand will be tightly balanced during the summer and winter peak seasons in 2024. Various factors, such as power supply and demand, climate uncertainty, etc. will bring uncertainties to the power supply and demand situation.

In terms of actual national conditions, resource endowments and the energy transformation process of China, coal-fired power remains to be an important support for ensuring national energy security, supply chain security, steady growth, promotion of development, and civil heating before 2030. China vigorously promotes the joint operation of coal-fired power, and the joint operation of coal-fired power and renewable energy, and carries out the “three technical transformations” and professional integration. Meanwhile, China published a series of relief policies, including financial preference, electricity price adjustment, special bonds of energy supply assurance, and the approved increase in the high-quality coal production capacity, quantity assurance, price control and capacity expansion. These policies will help ease the operating pressure on coal-fired power enterprises and improve their operating performance.

(2) Development Strategy of the Group

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Group has fully implemented the spirit of the 20th National Congress and the Second Plenary Session of the 20th Central Committee of the Communist Party of China and the deployment of the Central Economic Work Conference, and adhered to the principles of seeking progress while maintaining stability, promoting stability through making progress, and breaking old concepts before innovation. In order to achieve the goal of building a strong and large first-class listed energy company as soon as possible, the Group has effectively carried out the activities of Quality Improvement Year for Listed Companies, and coordinated in promoting the work of safety and environmental protection, transformation and development, quality improvement and efficiency increase, and integrated management of internal control and compliance risks, thereby striving to enhance the Group’s high-quality development capability and innovative and synergistic service guarantee capability, and continuously improving the Group’s image and market reputation.

(3) Operation Plan of the Group in 2024

In 2024, the Group is expected to generate approximately 220 billion KWh of electricity, which is basically the same as that of the previous year, and the utilization hours of power generating units are expected to remain largely stable. According to the actual progress of each project, the Group plans to invest approximately RMB9.7 billion in 2024, which will be used for the construction of power source projects, environmental protection, energy-saving technology transformation and equity investment projects, etc.

In 2024, the Group will focus on the following four aspects:

The Group will continue to deepen its operational supervision, constantly optimize financial control, conduct comprehensive evaluation on its thermal power enterprises in terms of benefit contribution and profitability, conduct in-depth research into operational improvement plans, assist relevant enterprises in improving their business conditions, and promote a substantial increase in the Group’s overall benefits. We will strengthen the research on energy industry policies and market situation analysis, supervise the implementation of electricity pricing policies, and carry out market transactions by considering both quantity and price of electricity, so as to continuously consolidate the foundation of profitability. We will strengthen research and policy analysis of the coal market, urge the expansion of coal procurement channels and the optimization of coal procurement structure, and increase the volume of annual long-term coal contracts with price advantages. The Group will continue to strengthen the governance of loss-making enterprises, and achieve “double reduction” in the degree and amount of loss in coal machinery and gas turbine segments. The Group will take various measures to reduce the cost, complete the replacement of loans at high interest rates and reduce financial expenses by means of replacement and early repayment of existing loans.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

We will strengthen the supervision of safety and environmental protection to maintain the good safety and stability situation of the Group. We track and focus on the management of major and important safety hazards in our system, and strive to guarantee safe production and supply of electricity and heat during major national events, important holidays and summer and winter peak seasons, so as to ensure a stable supply of electricity and heat energy. The Group will conduct in-depth research on national environmental protection policies and strengthen environmental protection management, especially for newly commenced projects, and strictly carry out inspection acceptance on their environmental protection and soil & water conservation upon completion to ensure the legality and compliance of new projects. We will continue to strengthen the research on carbon assets and the management of carbon emissions, track and grasp the policies related to carbon emissions, conduct in-depth research into the impact of carbon emission right trading on corporate benefits, strive to analyze and predict the trading price in the carbon market, and continuously improve the management level of carbon assets.

The Group will strengthen strategic management and coordinate the transformation and development of the Group. By considering the policy opportunities and investment returns in various regions, the Group will take the initiative to strengthen the research on project development directions, continuously expand the Group's development potential, and promote the implementation of projects in a coordinated and orderly manner, so as to safeguard the high-quality development of the Company with profitable investments. The Group shall deeply understand the specific requirements raised at the Central Economic Work Conference that "The gradual exit of traditional energy shall be based on the safe and reliable substitution with new energy", conceive the Group's new industry layout in an all-round way, and accelerate the implementation of more high-quality projects. We will strive to initiate the development of our overseas business as soon as possible through equity investment.

The Group will endeavor to enhance market recognition and improve the Group's good image. In accordance with the newly amended Company Law, we will amend the Articles of Association to further improve the modern enterprise system and update our corporate governance mechanism in a timely manner. The Group will continue to improve the operation and management of the "general meeting, the Board and the Supervisory Committee" according to the latest requirements of the regulatory authorities, and promote "double improvement" of both governance quality and management efficiency of the Group. We will pay close attention to market trends, insist on the market-oriented and issue-oriented approach, continuously strengthen our relationship with investors, strengthen interaction with the capital market, and constantly improve our market image and brand value.

(4) Possible Risks and Measures

At present, China's economy shows strong resilience, great potential and abundant vitality, maintains the basic trends of positive recovery and long-term improvement. However, it still suffers the problems of insufficient effective demand, overcapacity in some industries, weak social expectations, etc. Under such influence, the Group's business situation still faces potential risks, with the possible risks mainly including:

Firstly, power market risks. As the proportion of new energy installed capacity in China continues to grow rapidly, the power generation space for thermal power enterprises were further suppressed, which may impose the risk of a decline in power generation capacity to the Group. The formal implementation of the coal-fired power capacity pricing mechanism, and the full launch of spot electricity trading market will bring uncertainties to the Group's operations. As a power generation enterprise using traditional energy and mainly focusing on thermal power installed capacity, the Group is transforming from power generation to power generation and peak regulation. With the deepening of technological transformation and the increase in peak regulation, the utilization hours of power generating units may also suffer the risk of continuous declining.

The Group will actively participate in and serve the construction of a new power market based on the actual national conditions of China such as energy resource endowment, and economic and social development. The Group conduct in-depth study of the relevant policy requirements in relation to accelerating the construction of the power spot market and the establishment of coal-fired capacity tariff mechanism of the National Development and Reform Commission and the National Energy Administration, to promote the implementation of coal-fired on-grid tariff policy and coal-fired capacity tariff mechanism, to strive for gas turbine tariff policy, and to enhance the Group's power generation efficiency. The Group scientifically participate in spot market transactions to ensure that the medium-and long-term traded power capacity is not lower than the installed capacity share of each region, and the traded power price is not lower than the average price of market transactions. The Group carefully study the rules related to auxiliary services and formulate measures to participate in the auxiliary services market and increase the benefits of auxiliary services.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Secondly, project development risks. With the accelerated construction of the new power system, pumped-storage hydropower projects have entered into a large-scale construction era. As affected by factors such as deep adjustment to the national pumped storage planning, long project site selection and construction period, etc., the planning for some of the Group's pumped storage projects is still subject to great uncertainty, making it difficult to form a scale effect in the short run. New fields such as new energy storage, geothermal energy, hydrogen production and hydrogen utilization have better prospects for development, but factors such as incomplete supporting policies and immature market conditions also constrain their expected pace of development to some extent.

Taking into account the policy opportunities and investment returns in various regions, the Group took the initiative to strengthen the dimensional research on the development of the projects, continuously expand the Group's development space, and promote their implementation in a coordinated and orderly manner, so as to ensure the Group's high-quality development with high-quality investment. We conceive the Group's strategic emerging industry layout in an all-round way, and accelerate the implementation of more high-quality projects.

Thirdly, fuel market risks. The coal supply guarantee policy will be gradually canceled, and the medium and long-term contracts for power generation coal will no longer require full coverage, leading to a decrease in the growth rate of coal supply. Therefore, some of the Group's power generation enterprises may suffer the risk of rising fuel costs due to the decrease in the proportion of long-term coal contracts.

The Group will continue to strengthen the research on coal procurement strategies under the new situation, optimize the ordering structure and coal supply structure, coordinate the control over coal quantity and price, and guarantee the coal supply by category according to the marginal contribution of enterprises, and strive to maximize the overall benefits of the Group. The Group consolidate the supply and demand relationship with traditional high-quality large mines, optimize the procurement and inventory strategy in a timely manner taking into account of the market situation, and stock up seasonal electric coal to ensure stable supply during the summer and winter peak seasons.

Fourthly, safety and environmental protection risks. As affected by the frequent startup and shutdown of units, long periods of peak regulation, distinct peak loads and other operating modes, the Group is currently facing increasing problems in terms of equipment reliability and unit flexibility, as well as severe challenges in terms of safety and environmental protection. The competent authorities in charge of ecological and environmental protection have formulated a harsh environmental protection management system, changed the carbon emission compliance from the previous "two-year compliance" to "one-year compliance" system, and gradually lowered the base value of carbon quota accounting, thus leading to a further increase in the environmental protection pressure and business risks for thermal power enterprises.

The Group will carry out in-depth investigation and management of hidden production safety problems, flood control and "Work Safety Month" activities to continuously strengthen the foundation of work safety. In the face of the decrease in the surplus of carbon emission allowances in 2024, the Group, as a listed conventional energy company with heavy assets in coal and power generation, will plan ahead and make early preparations. The Group will continue to strengthen the research on carbon assets and the management of carbon emissions, track and grasp the policies related to carbon emissions, conduct in-depth research into the impact of carbon emission right trading on corporate benefits, guide power generation enterprises to carry out targeted technological transformation pursuant to the "dual control" requirements on carbon emissions, strive to analyze and predict the trading price in the carbon market, and continuously improve the management level of carbon assets.