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**華能國際電力股份有限公司**

**HUANENG POWER INTERNATIONAL, INC.**

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

**(Stock Code: 902)**

## **CONNECTED TRANSACTION**

### **CAPITAL INCREASE IN SICHUAN HYDRO POWER**

- On 22 October 2013, the board of Directors approved by way of resolution the entering of the Capital Increase Agreement between the Company and Huaneng Group (another existing shareholder of Sichuan Hydro Power), pursuant to which, the parties agreed to subscribe by way of cash for the new registered capital of Sichuan Hydro Power in accordance with their respective proportion of shareholding in Sichuan Hydro Power. The Company shall pay to Sichuan Hydro Power an amount of not more than RMB219,193,200 as the consideration of the Capital Increase, which sum will be funded by the Company's internal cash surplus. Following completion of the Capital Increase, the Company's proportion of shareholding of 49% in Sichuan Hydro Power shall remain unchanged.
- As of 30 September 2013, HIPDC holds 36.05% of the total equity interests in the Company, being the direct controlling shareholder of the Company, while Huaneng Group holds a 51.98% direct equity interests and a 5% indirect equity interests in HIPDC. In addition, Huaneng Group holds a 11.06% direct equity interests in the Company, a 3.36% indirect equity interests in the Company through Hua Neng HK (a wholly-owned subsidiary of Huaneng Group), a 0.04% indirect equity interests in the Company through Huaneng Capital Services Company Limited (a wholly-owned subsidiary of Huaneng Group) and a 0.79% indirect equity interests in the Company through China Huaneng Finance Corporation Limited (a controlling subsidiary of Huaneng Group)). Under the Hong Kong Listing Rules, Huaneng Group and its associates (including Sichuan Hydro Power) are connected persons of the Company. As such, the Capital Increase into Sichuan Hydro Power by the Company constitutes a connected transaction of the Company.

- Given the scale of the subscription amount does not exceed 5% of the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Capital Increase is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules but are exempt from independent shareholders' approval requirements.

## **RELATIONSHIP BETWEEN THE COMPANY, HUANENG GROUP AND SICHUAN HYDRO POWER**

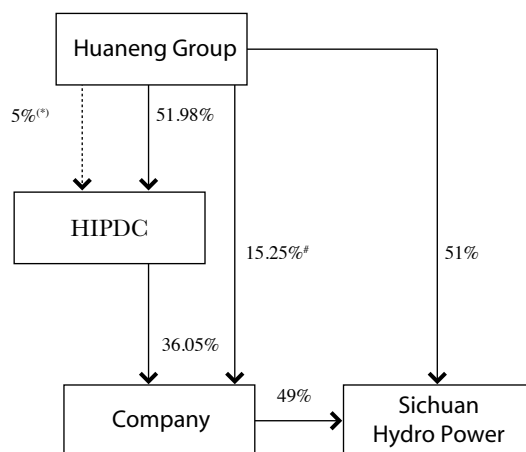
The Company and its subsidiaries mainly develop, construct, operate and manage large-scale power plants in China nationwide. It is one of the largest listed power producers in China, with a controlling capacity of 66,341 MW.

Huaneng Group is principally engaged in 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 30 September 2013, HIPDC holds 36.05% of the total equity interests in the Company, being the direct controlling shareholder of the Company, while Huaneng Group holds a 51.98% direct equity interests and a 5% indirect equity interests in HIPDC. In addition, Huaneng Group holds a 11.06% direct equity interests in the Company, a 3.36% indirect equity interests in the Company through Hua Neng HK (a wholly-owned subsidiary of Huaneng Group), a 0.04% indirect equity interests in the Company through Huaneng Capital Services Company Limited (a wholly-owned subsidiary of Huaneng Group) and a 0.79% indirect equity interests in the Company through China Huaneng Finance Corporation Limited (a controlling subsidiary of Huaneng Group).

Sichuan Hydro Power was incorporated in the PRC and as at today's date, is held as to 51% thereof by Huaneng Group and 49% thereof by the Company. Sichuan Hydro Power is principally engaged in development and operation of power plants and related projects.

The relationship among the Company, Huaneng Group and Sichuan Hydro Power are as follows:



\* Huaneng Group, through Hua Neng HK, its wholly-owned subsidiary, indirectly holds a 100% interests in Pro-Power Investment Limited while Pro-Power Investment Limited holds a 5% interests in HIPDC.

# Huaneng Group holds a 11.06% direct interest in the Company. It also holds 3.36%, 0.04% and 0.79% interest in the Company through Hua Neng HK (its wholly owned subsidiary), Huaneng Capital Services Co. Ltd., (its wholly owned subsidiary) and China Huaneng Finance Corporation (its controlling subsidiary), respectively.

Under the Hong Kong Listing Rules, Huaneng Group and its associates (including Sichuan Hydro Power) are connected persons of the Company. Thus, the Capital Increase into Sichuan Hydro Power by the Company constitute a connected transaction of the Company.

## CAPITAL INCREASE AGREEMENT

The Capital Increase and the entering of the Capital Increase Agreement with Huaneng Group were approved at the meeting of the board of Directors of the Company held on 22 October 2013.

Major terms of the Capital Increase Agreement are as follows:

1. Parties:
  - (i) Huaneng Group
  - (ii) the Company
2. Subscription of share capital: Huaneng Group and the Company unanimously agreed to increase the registered capital of Sichuan Hydro Power by RMB 447,333,100. Both parties shall pay up the newly increased capital according to their respective shareholding proportion in Sichuan Hydro Power before the Capital Increase.
3. Payment method: Huaneng Group will pay up its part of newly increase capital of RMB228,139,900 by injecting its 100% interests in New Energy Industry into Sichuan Hydro Power (as per the appraisal by China Valuer International Co., Ltd. (北京中天衡平國際資產評估有限公司), the value of such interests as at 31 December 2012 was RMB228,139,900).

Huaneng Group will make its best endeavor to complete the transfer of the 100% interests in New Energy Industry before 15 December 2013, i.e. completing the industrial and business registration procedures for transferring the 100% interests in New Energy Industry to Sichuan Hydro Power.

The Company will use its internal cash surplus to fund its part of Capital Increase, i.e. RMB 219,193,200. The payment will be made before 15 December 2013.

If, for reasons which are not caused by Huaneng Group, the transfer of the 100% interests in New Energy Industry does not occur by 15 December 2013, the Company will pay up its part of the Capital Increase within five working days after Huaneng Group has completed such transfer.

4. Signing and  
effective time:

The Capital Increase Agreement will become effective on the date on which the parties thereto have obtained the relevant approvals from their respective supervising authorities. The parties shall obtain the approval documents from their respective supervising authorities within 20 days from the signing of the Capital Increase Agreement.

Upon completion of the Capital Increase, the registered capital of Sichuan Hydro Power shall be increased to RMB1,917,133,100. The Company's shareholding in Sichuan Hydro Power remains unchanged, i.e. 49% equity interest in Sichuan Hydro Power. The Capital Increase is subject to the approvals as required by the respective internal processes of Sichuan Hydro Power and Huaneng Group.

## **INFORMATION REGARDING SICHUAN HYDRO POWER**

Sichuan Hydro Power was transformed into a limited liability company as per approval by Huaneng Group in July 2004. Currently, the registered capital and the paid-up capital of Sichuan Hydro Power are RMB 1.4698 billion while 51% of which is owned by Huaneng Group and the remaining 49% is owned by the Company. As at 30 September 2013, Sichuan Hydro Power has a controlling installed generation capacity of 2,207.5 MW and an equity-based generation capacity of 1,520.8 MW.

## Selected Financial Information of Sichuan Hydro Power

The following sets out certain financial information of Sichuan Hydro Power as at 31 December 2011 and 31 December 2012 and for the year/period then ended, prepared in accordance with PRC Accounting Standards:

	As at 31 December 2011 (RMB) (audited)	As at 31 December 2012 (RMB) (audited)
Operating revenue	2,516,913,463	<b>2,572,325,019</b>
Operating profit/loss	1,082,334,230	<b>993,484,485</b>
Profit/loss before tax	1,094,235,512	<b>1,000,874,513</b>
Net profit/loss	927,486,192	<b>832,190,414</b>
Total assets	13,541,678,757	<b>14,276,726,279</b>
Net assets	4,742,574,329	<b>4,409,751,365</b>

## REASONS FOR THE CAPITAL INCREASE AND THE IMPACT ON THE COMPANY

The Capital Increase will provide Sichuan Hydro Power with sufficient resources in both manpower and assets and help rationalize the relationship between Sichuan Hydro Power and New Energy Industry towards the goal of maintaining and increasing the value of State-owned assets.

New Energy Industry has a registered capital of RMB 16,456,000 and is principally engaged in the leasing of investment-type real estates. Its profits mainly derives from rentals and returns on long-term equity investments. Its audited total asset and audited profit before tax in 2012 were RMB 155,270,589 and RMB 9,230,725, respectively; its audited total asset and audited profit before tax in 2011 were RMB 146,011,766 and 10,034,079, respectively; and its audited total asset and audited profit before tax for 2010 were RMB 144,318,872 and RMB9,288,383.

Since Sichuan Hydro Power is a limited liability company, the Company has to make a pro-rata capital contribution in order to maintain its shareholding in Sichuan Hydro Power. The Capital Increase will not have any significant impact on the assets, liabilities and profits of the Company.

The Capital Increase will increase the registered capital of Sichuan Hydro Power and further enhance Sichuan Hydro Power's capacity to raise funds for the construction of its projects which is expected to provide and secure stable investment returns for the Company in the future.

## **IMPLICATION UNDER THE HONG KONG LISTING RULES**

Given the scale of the subscription amount does not exceed 5% of the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Capital Increase is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules but are exempt from independent shareholders' approval requirements.

The Board of Directors of the Company has approved the resolution regarding the Capital Increase. Messrs. Cao Peixi, Huang Long, Li Shiqi, Huang Jian, Liu Guoyue and Fan Xiaxia, all being directors of the Company having connected relationship, abstained from voting on the board resolution relating thereto. The resolution was voted by directors who are not connected to the Transaction. The Directors (including independent non-executive Directors) are of the view that the Capital Increase was entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis or on terms no less favourable to the Company than terms available from independent third parties); and (iii) on terms that are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## DEFINITIONS

“associate”	the meaning ascribed to it in the Hong Kong Listing Rules;
“Capital Increase”	the subscription in an amount of not more than RMB219,193,200 for part of the new registered capital of Sichuan Hydro Power by the Company pursuant to the terms and conditions of the Capital Increase Agreement;
“Capital Increase Agreement”	the capital increase agreement to be entered into between the Company and Huaneng Group;
“Company”	Huaneng Power International, Inc.;
“Directors”	the directors (including independent non-executive directors) of the Company;
“HIPDC”	Huaneng International Power Development Corporation;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Hua Neng HK”	China Hua Neng Group Hong Kong Limited;
“Huaneng Group”	China Huaneng Group;
“New Energy Industry”	Sichuan New Energy Industry Company;
“PRC”, “China”	the People’s Republic of China;
“RMB”	the lawful currency of the PRC;



“Sichuan Hydro Power”

Huaneng Sichuan Hydro Power Limited Company; and

“Stock Exchange”

The Stock Exchange of Hong Kong Limited.

By Order of the Board  
**Huaneng Power International, Inc.**  
**Du Daming**  
*Company Secretary*

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

Cao Peixi

*(Executive Director)*

Huang Long

*(Non-executive Director)*

Li Shiqi

*(Non-executive Director)*

Huang Jian

*(Non-executive Director)*

Liu Guoyue

*(Executive Director)*

Fan Xiaxia

*(Executive Director)*

Shan Qunying

*(Non-executive Director)*

Guo Hongbo

*(Non-executive Director)*

Xu Zujian

*(Non-executive Director)*

Xie Rongxing

*(Non-executive Director)*

Shao Shiwei

*(Independent Non-executive Director)*

Wu Liansheng

*(Independent Non-executive Director)*

Li Zhensheng

*(Independent Non-executive Director)*

Qi Yudong

*(Independent Non-executive Director)*

Zhang Shouwen

*(Independent Non-executive Director)*

Beijing, the PRC

23 October 2013