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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 REGARDING QINLING COMPANY

- On 31 July 2012, Shidongkou Company and Qinling Company entered into the Transfer Agreement, pursuant to which Shidongkou Company agreed to pay to Qinling Company RMB262,380,000 as compensation for the closure of certain small generating units with an aggregate generation capacity of 220MW of Qinling Power Plant, which is owned by Qinling Company, for the construction of 2 x 660MW generating units for Phase II of Shidongkou Second Power Plant in “replacing small units with larger ones” project of Shidongkou Company.
- The Company holds 50% interests in Shidongkou Company while Qinling Company is a wholly owned subsidiary of Huaneng Group. Huaneng Group and its associates (including Qinling Company) are connected persons to the Company. The Transfer Agreement (and the relevant compensation) thus constitutes a connected transaction of the Company under the Hong Kong Listing Rules.
- Since the relevant percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules in connection with the transaction contemplated under the Transfer Agreement (and the relevant compensation) are all less than 5%, the transaction contemplated under the Transfer Agreement (and the relevant compensation) is only subject to the reporting, annual review and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Hong Kong Listing Rules and is exempt from the independent shareholders’ approval requirements.

RELATIONSHIP BETWEEN THE COMPANY, HUANENG GROUP AND QINLING COMPANY

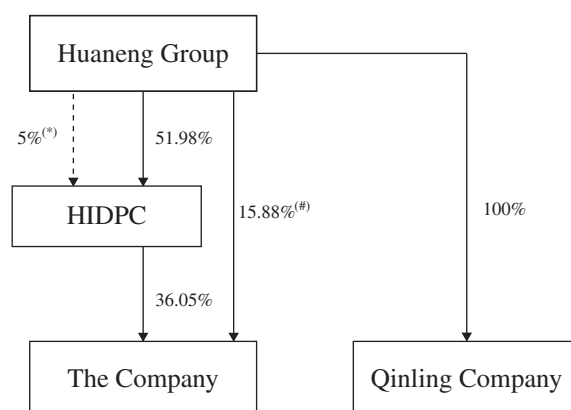
The Company, together with its subsidiaries, mainly develops, constructs, operates and manages large scale power plants throughout China. It is one of the largest listed power suppliers in China which owns a total installed generation capacity of 55,304MW on an equity basis.

Huaneng Group mainly engages in the development, investment, construction, operation and management of power sources; the production and sale of power (heat); the development, investment, construction, production and sale of businesses and products relating to energy, transportation, renewable energy and environmental protection.

As of 30 June 2012, 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 15.88% equity interests in the Company (including a 11.06% direct equity interests in the Company held by Huaneng Group and a 3.70% indirect equity interests in the Company held by China Hua Neng Group Hong Kong Limited (a wholly-owned subsidiary of Huaneng Group), a 0.09% indirect equity interests in the Company held by Huaneng Capital Services Company Limited (a wholly-owned subsidiary of Huaneng Group) and a 1.02% indirect equity interests in the Company held by China Huaneng Finance Corporation Limited (a controlling subsidiary of Huaneng Group)). Huaneng Group holds 100% interests in Qinling Company, while the Company holds 50% interests in Shidongkou Company and regards Shidongkou Company as a subsidiary of the Company.

Qinling Company is a limited liability company established in China. It is a wholly owned subsidiary of Huaneng Group, principally engaged in the production and sale of power and in the development and operation of business relating to power industry.

The relationships among the Company, Huaneng Group and Qinling Company are as follows:



- * *Huaneng Group, through China Hua Neng Group Hong Kong Limited, its wholly-owned subsidiary, indirectly holds a 100% interest in Pro-Power Investment Limited while Pro-Power Investment Limited holds a 5% interest in HIPDC.*
- # *Huaneng Group holds a 11.06% direct equity interests in the Company, a 3.70% equity interest in the Company through China Hua Neng Group Hong Kong Limited (a wholly-owned subsidiary of Huaneng Group), a 0.09% equity interests in the Company through Huaneng Capital Services Company Limited (a wholly-owned subsidiary of Huaneng Group) and a 1.02% equity interest through China Huaneng Finance Corporation Limited (a controlling subsidiary of Huaneng Group).*

Therefore, according to the Hong Kong Listing Rules, Huaneng Group and its associates (including Qinling Company) are connected persons of the Company while the transaction between Shidongkou Company and Qinling Company as contemplated by the Transfer Agreement (and the relevant compensation fee) constitutes connected transaction of the Company.

BACKGROUND

The “Eleventh Five-year Plan” confirmed the objective of energy saving and emission reduction, and the power industry is the key area of energy saving and emission reduction. Accordingly, during the “Eleventh Five-year Plan” period, the State confirmed the “replacing small units with larger ones” policy of the power industry. The relevant policies were continuously performed during the “Twelfth Five-year Plan period” and large and highly effective thermal generating units were constructed to expedite the industry structure adjustment, eliminate backward production capacity and facilitate the energy saving and emission reduction work.

The 2 x 660MW “replacing small units with larger ones” project of Shidongkou Second Power Plant Phase II under Shidongkou Company has obtained the approval of the National Development and Reform Commission in the form of “replacing small units with larger ones”. Construction of the project requires closing down of certain small thermal generating units with generation of 220MW capacity of Qinling Power Plant which is owned by Qinling Company. Pursuant to the spirits of the Notice on Certain Opinions on Expediting the Closure of Small Thermal Generating Units issued by the National Development and Reform Commission and the Energy Office and endorsed by the State Council (Guo Fa [2007] No.2), Shidongkou Company shall be obliged to pay part of the compensation fees to Qinling Company for the settlement of the relevant personnel of the closed generating units of Qinling Power Plant under Qinling Company and debt disposal.

According to the audit report issued by PKF Daxin Certified Public Accountants LLP on 20 February 2012, as of 31 December 2011, the assets of Qinling Company totalled RMB5.335 billion, liabilities totalled RMB5.410 billion and net assets totalled RMB-75 million. In 2011, the operating income of Qinling Company totalled RMB890 million, profits totalled RMB-234 million (including asset diminution provision of RMB68 million) and net cash flow generated from operating activities was RMB-647 million.

TRANSFER AGREEMENT

Shidongkou Company and Qinling Company agreed to enter into the Transfer Agreement, the key terms of which are set out below:

Date:	31 July 2012
Parties:	Shidongkou Company and Qinling Company
Subject Matter:	The Transaction relates to the payment of compensation by Shidongkou Company to Qinling Company due to the closure of certain small generating units with an aggregate generation capacity of 220MW of Qinling Power Plant, which is owned by Qinling Company, for the construction of 2 x 660MW generating units for Phase II of Shidongkou Second Power Plant in “replacing small units with larger ones” projects of Shindongkou Company
Compensation fee:	Shindongkou Company agreed to pay to Qinling Company a sum of RMB262,380,000 as compensation on the basis of RMB1,192.6 per kW for compensating Qinling Company’s closure of its small generating capacity of 220MW
Method of payment:	Shidongkou Company agreed to pay the compensation of RMB262,380,000 to Qinling Company by an one-off payment within 7 working days per signing of the Transfer Agreement. Shidongkou Company proposes to pay the compensation by its internal surplus fund

REASONS FOR ENTERING INTO THE TRANSFER AGREEMENT, PRICING FACTORS AND THE IMPACT TO THE COMPANY

Based on the employees involved in Qinling Power Plant, the assessment of the net asset value of the generation units subject to closure, and having a comprehensive consideration of the market principles and the anticipated contribution to the construction of Phase II of Shidongkou Second Power Plant by closure of the small generating units with generation capacity of 220MW, the payment standard of the Transaction shall be fixed at a unit price of RMB1,192.6/kW.

The Transaction relates to the compensation by Shidongkou Company to Qinling Company in relation to the closing down of certain small generating units with generation capacity of 220MW of Qinling Power Plant, which is owned by Qinling Company, for construction of the 2 x 660MW generating units for Phase II of Shidongkou Second Power Plant in “replacing small units with larger ones” project of Shidongkou Company. As the capacity of the small generating units of the Company required to be closed by the State is relatively small, Huaneng Group agrees to allocate the small generating unit indices of Qinling Power Plant to the Company in order to support the development of the Company.

Phase II of the Shidongkou Second Power Plant project is an effective and environment protection project which is situated in Shanghai, an economically developed region in China. Amid the background of the implementation of the State policies of energy saving and emission reduction, the Transaction conforms to the development strategy and long-term benefits of the Company both from the perspectives of the operating efficiency of the Company and performance of the social responsibility of constructing a green environment friendly enterprise by the Company. As compared to the profit, assets and liabilities of the Company as a whole, the Directors are of the view that the Transaction will not have a significant financial impact on the Company.

The Board of Directors of the Company has considered and approved the resolution in respect of the Transaction. The related Directors, being Mr. Cao Peixi, Mr. Huang Long, Mr. Li Shiqi, Mr. Huang Jian, Mr. Liu Guoyue and Mr. Fan Xiaxia, have abstained from voting on the resolution in respect of the Transaction.

The Directors (including independent non-executive Directors) are of the opinion that the Transfer Agreement (and the relevant compensation) is entered into: (i) on normal commercial terms (i.e. on an arm’s length basis or on terms no less favourable than those available from independent third parties); (ii) on terms that are fair and reasonable and are in the interests of the Company and of its shareholders as a whole; and (iii) are within the usual course of business of the Company.

IMPLICATIONS UNDER HONG KONG LISTING RULES

The transaction contemplated by the Transfer Agreement (and the relevant compensation) constitutes a connected transaction of the Company under the Hong Kong Listing Rules. Since the relevant percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules in connection with the transaction contemplated under the Transfer Agreement (and the relevant compensation) are all less than 5%, the transaction contemplated by the Transfer Agreement (and the relevant compensation) is only subject to the reporting, annual review and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Hong Kong Listing Rules and is exempt from the independent shareholders' approval requirements.

DEFINITIONS

“Company”	Huaneng Power International, Inc.;
“Directors”	the Directors of the Company (including the independent non-executive Directors);
“HIPDC”	Huaneng International Power Development Corporation;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited;
“Huaneng Group”	China Huaneng Group;
“PRC”	the People’s Republic of China;
“Qinling Company”	Huaneng Shaanxi Qinling Power Co. Ltd;
“RMB”	the lawful currency of the PRC;
“Shidongkou Company”	Huaneng Shanghai Shidongkou Power Company Limited; and
“Transaction”	Compensation of RMB262,380,000 to be payable by Shidongkou Company to Qinling Company in relation to the closing down of certain small generating units with generating capacity of 220MW of Qinling Power Plant, which is owned by Qinling Company, for construction of

2 x 660MW generating units for Phase II of Shidongdou Second Power Plant in “replacing small units with larger ones” project of Shidongkou Company;

“Transfer Agreement”

the agreement relating to the transfer of the generation capacity due to closure of generating unit No. 3 of Huaneng Shaanxi Qinling Power Co., Ltd., entered between Shidongkou Company and Qinling Company on 31 July 2012.

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
1 August 2012