

HUANENG POWER INTERNATIONAL INC
Form 6-K
November 19, 2002

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
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Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

November, 2002

Huaneng Power International, Inc.
West Wing, Building C, Tianyin Mansion
No. 2C Fuxingmennan Street
Xicheng District
Beijing, 100031 PRC

This Form 6-K consists of:

A press announcement by Huaneng Power International, in English, of ongoing connected transactions.

A press announcement by Huaneng Power International, in English, of having entered into a management agreement with Huaneng Group and HIPDC.

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[GRAPHIC OMITTED] HUANENG POWER INTERNATIONAL, INC.

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

ON-GOING CONNECTED TRANSACTION

- o On 6th November 2002, the Company entered into the Entrusted Management Agreement with Huaneng Group and HIPDC, pursuant to which the Company agreed to provide management services to Huaneng Group and HIPDC for the Entrusted Power Plants. The estimated total service fee per year is RMB50.6 million. The service fee was determined on arm's length terms.

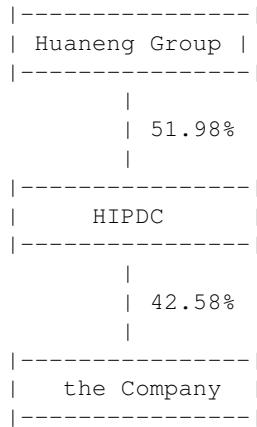
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- o As Huaneng Group and HIPDC are direct and indirect substantial shareholders of the Company, the Transaction constitutes a connected transaction for the Company under the Hong Kong Listing Rules and the Shanghai Listing Rules.
- o The Company will convene an EGM for the purposes of seeking the approvals of Independent Shareholders for the Transaction (including the Entrusted Management Agreement) under the Shanghai Listing Rules. Huaneng Group and HIPDC and their respective Associates will abstain from voting in respect of the resolution relating to the Transaction.
- o The Company expects that the notice of the EGM and the Circular will be despatched to the shareholders of H shares within 21 days from the date of this announcement.

Background

The Company currently operates 17 power plants in the PRC with a net generation capacity of 13,895 MW.

The relationship between the Company, Huaneng Group and HIPDC is as follows:



Huaneng Group is an indirect controlling shareholder of the Company, holding a 51.98% interest in HIPDC. As of the Latest Practicable Date, HIPDC held 2,554,840,000 Domestic Shares in the Company, representing 42.58% of the total issued share capital (Domestic Shares and H Shares) of the Company.

ENTRUSTED MANAGEMENT AGREEMENT

The Entrusted Management Agreement was approved by the Directors at the board meeting held on 5th November 2002 and signed by Huaneng Group, HIPDC and the Company on 6th November 2002.

Date of the Entrusted Management Agreement: 6th November 2002

Parties: Entrusting Party: Huaneng Group
HIPDC

Managing Party: The Company

Assets entrusted: (i) 17 Entrusted Power Plants currently managed

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and power plants in the future controlled by the Huaneng Group

- (ii) 5 Entrusted Power Plants currently managed and power plants in the future controlled by HIPDC

Service rendered: Management service provided by the Company in respect of the Entrusted Power Plants. The Entrusted Management Agreement has a term of 5 years. Upon the expiry of the Entrusted Management Agreement, unless any party intends otherwise, it will continue to be operational. The Entrusted Management Agreement may also be terminated by, inter alia, (i) Huaneng Group and/or HIPDC giving 30 days notice to the Company or (ii) the Company giving 90 days notice to Huaneng Group and/or HIPDC.

Service fee: The total management fee per year in respect of the Entrusted Management is approximately RMB50.6 million.

If the aggregate Net Installed Capacity of the Entrusted Power Plants exceeds 14,000 MW, the monthly service fee payable by Huaneng Group and/or HIPDC to the Company shall be adjusted as follows:

$$\% \frac{\text{the service fee payable for the previous month}}{\text{the aggregate of the actual Net Installed Capacity consigned under the Entrusted Management for that month}} \times \frac{\text{the aggregate of the actual Net Installed Capacity consigned under the Entrusted Management for the previous month}}{\text{the aggregate of the actual Net Installed Capacity consigned under the Entrusted Management for the previous month}}$$

The service fee (excluding the incentive / penalty element) is payable monthly by Huaneng Group and HIPDC to the Company in arrears. The service fee in respect of the Entrusted Management was determined on the basis of normal commercial terms and arm's length negotiation between the parties thereto with reference to international practice.

Condition: The Entrusted Management Agreement is subject to the Transaction (including the Entrusted Management Agreement) being approved and adopted by the Independent Shareholders.

RATIONALE FOR THE TRANSACTION AND PRICING FACTORS

The Company develops, constructs, operates and manages large thermal power plants in China nationwide. It is the largest independent power producer in China.

The Company is able to gain more management experience and improve its management abilities through the management of the Entrusted Power Plants,

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thereby minimizing competition with related parties. By reason of the above, the Company will be able to further strengthen its leading position in the power generation market of the PRC. At the same time of streamlining the management structure of the thermal power generation assets of the Huaneng Group, it also paves the way for the further integration of the power generation assets of the Huaneng Group.

The Entrusted Management would also enable the Company to obtain direct knowledge in the development status of more power markets, thereby exploring new development opportunities. The Entrusted Management will be the main driving force of the Company's future development.

The service fee payable by Huaneng Group and HIPDC comprises the following three components:

- (i) costs (including set-up, operational and other recurrent items to be incurred by the Company in managing the Entrusted Power Plants), namely RMB46 million per annum;
- (ii) a premium to cover estimation risks which represents 10% of the costs, namely RMB4.6 million per annum; and
- (iii) an incentive / penalty component which is calculated based on the confirmed results and does not exceed 15% of the costs, namely either an incentive or a penalty of not more than RMB6.9 million.

The total service fee will be adjusted annually by reference to the inflation rate of the previous year as published by the State Statistic Department and the salary component will be adjusted by the percentage increase approved by the board of the Company. This methodology is consistent with international practice and is equitable to the shareholders.

INFORMATION REGARDING THE ENTRUSTED POWER PLANTS

- (1) Entrusted Power Plants currently managed by Huaneng Group

	Name of Entrusted Power Plant	Date of establishment	Nature of entity	Registered Capital (RMB thousands)	Location
1	Huaneng Group Xindian Power Plant	1st February 2001	State-owned branch entity		Shandong Zibo City
2	Huaneng Group Baiyang River Power Plant	1st February 2001	State-owned branch entity		Shandong Zibo City
3	Yimin Huaneng Dongdian Coal-Fired Power Limited Liability Company	18th May 1995	Limited Liability Company	583,900	Inner Mongolia Autonomous Region Hulunbuir

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4	Tianjin Huaneng Yangliuqing Power Generation Limited Liability Company	17th May 1996	Limited Liability Company	300,000	Tianji
5	Jinggangshan Huaneng Power Generation Limited Liability Company	18th March 1996	Limited Liability Company	529,850	Jiangx Jian C
6	Daqing Huaneng Xinhua Power Generation Limited Liability Company	24th December 1997	Limited Liability Company	110,000	Heilon Provin City
7	Shanxi Huaneng Yushe Power Limited Liability Company	29th November 1994	Limited Liability Company	80,000	Shanxi Yushe
8	Suzhou Huaneng Termal Power Limited Company	15th September 1997	Limited Liability Company	20,000	Jiangs Suzhou
9	Henan Huaneng Qinbei Power Generation Limited Liability Company	26th December 2001	Limited Liability Company	10,000	Henan Jiyuan
10	Hubei Huaneng Sujiawan Power Generation Limited Liability Company	4th January 1999	Limited Liability Company	90,596	Hubei Wuhan
11	Changshan Huaneng Thermal Power Plant	25th August 1997	State-owned	60,000	Jilin Songyu
12	Wuhan Huazhong Huaneng Power Generation Joint Stock Limited Company	13th September 1996	Company Limited by Shares	650,000	Hubei Wuhan

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13	Guangdong Yuehwa Power Generation Limited Liability Company	3rd December 1986	Limited Liability Company	360,000	Guangdong Province, Guangzhou
14	Inner Mongolia Mendian Huaneng Thermal Power Generation Company Limited	12th May 1994	Company Limited by Shares (Listed)	944,980	Inner Mongolia Autonomous Region, Huhehaote City
15	Liaoning Nenggang Power Plant Company Limited	31st August 1998	Sino-Foreign Co-operation	716457.7 (actual paid up capital 477,890)	Liaoning Province, Fushun
16	Haikou Thermal Power Generation Company Limited	20th October 1994	Company Limited by Shares	540,510	Hainan Province, Haikou
17	Hegang Power Generation Limited Liability Company	24th February 1998	Limited Liability Company	300,000	Heilongjiang Province, Qiqihar City

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(2) Entrusted Power Plants currently managed by HIPDC

	Name of Entrusted Power Plant	Date of establishment	Nature of entity	Capital (RMB thousands)	Location
1	HIPDC Changing Branch Company (Luohuang Power Plant)	8th June 1985	Branch of Sino-foreign equity joint venture		Chongqing City
2	HIPDC Chongqing Branch Company (Chongqing CCGT)	8th June 1985	Branch of Sino-foreign equity joint venture		Chongqing City
3	HIPDC Yueyang Branch Company	16th October 1996	Branch of Sino-foreign equity joint venture		Hunan Province Yueyang
4	HIPDC Yingkou Branch Company	27th February 1988	Branch of Sino-foreign equity joint venture		Liaoning Province Yingkou
5	HIPDC Beijing Branch Company (Beijing Huaneng Thermal Power Plant)	21st January 1991	Branch of Sino-foreign equity joint venture		Beijing City

[Chart Continued]

(1) Entrusted Power Plants currently managed by Huaneng Group

	Name of Entrusted Power Plant	Installed capacity (no. of units x MW)	Percentage of ownership by Huaneng Group	other shareholders
1	Huaneng Group Xindian Power Plant	2 x 220 2 x 100	100%	
2	Huaneng Group Baiyang River Power Plant	3 x 50	100%	

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3	Yimin Huaneng Dongdian Coal-Fired Power Limited Liability Company	2 x 500	51%	Liaoning Provincial Power Company, Heilongjiang Provincial Power Company and Jilin Provincial Power Company
4	Tianjin Huaneng Yangliuqing Power Generation Limited Liability Company	2 x 300 1 x 125 2 x 100	54.02%	Tianjin Municipal Jinneng Investment Company and Huabui Power Development Company
5	Jinggangshan Huaneng Power Generation Limited Liability Company	2 x 300	60%	Jiangxi Provincial Power Company and Jiangxi Provincial Investment Company
6	Daqing Huaneng Xinhua Power Generation Limited Liability Company	1 x 200 2 x 100 2 x 50	70%	Heilongjiang Provincial Power Development Company
7	Shanxi Huaneng Yushe Power Limited Liability Company	2 x 100	50%	Shanxi Provincial Regional Power Company and Shanxi Provincial Power Company
8	Suzhou Huaneng Termal Power Limited Company	1 x 6 1 x 3	53.45%	Suzhou Municipal Huqiu District State-owned (Collective) Asset Management Company and Jiangsu Changjia Energy Saving Industrial Development Company
9	Henan Huaneng Qinbei Power Generation Limited Liability Company	2 x 600	55.00%	Henan Provincial Construction and Investment Corporation Power company and Henan Provincial Jiyuan City Construction and Investment Company
10	Hubei Huaneng Sujiawan Power Generation Limited Liability Company	3 x100	53.25%	Hubei Provincial Power Company, Hubei Yangxin Aluminium Plant, E'Cheng Iron and Steel Group Limited Liability Company
11	Changshan	2 x 100	68.27%	Jilin Provincial

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	Huaneng Thermal Power Plant				Energy and Transportation Corporation
12	Wuhan Huazhong Huaneng Power Generation Joint Stock Limited Company	4 x 300	40% (Note 1)		Central China Power Corporation Wuhan Power Development Company, Central China Power Development Company and Wuhan Tianli Property Company
13	Guangdong Yuehwa Power Generation Limited Liability Company	2x300 4x125	49% (Note 2)		Guangdong Provincial Yuedian Asset Operation Company Limited
14	Inner Mongolia Mendian Huaneng Thermal Power Generation Company Limited	4x200 3x100 5x50 3x25	12.73%		Inner Mongolia Power (Group) Limited Liability Company, state-owned shares. Listed RMB domestic shares
15	Liaoning Nenggang Power Plant Company Limited	2 x 200	32.97%		Liaoning Energy Corporation and Liaogang Power Company Limited Hainan Provincial State-owned Assets Administration Bureau, Hainan Foreign Economic and Trade Bidding Company and Hainan Tianhe Industrial Company
16	Haikou Thermal Power Generation Company Limited	2x125 1x100	15.55%		Hainan Provincial Power Company, Zhongyin Group Investment Company Limited, Haikou Gangao Power Investment Company, Huaneng (Hainan) Joint Stock Company. Hainan Qiongshen Property Development Company Limited. Hainan Provincial State-owned Assets
17	Hegang Power Generation Limited Liability Company	2x300	13%		Northern China Power Corporation, Guohua Energy

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Company Limited.
Heilongjiang
Provincial Power
Development
Company and
Heilongjiang
Provincial Power
Company

(2) Entrusted Power Plants currently managed by HIPDC

	Name of Entrusted Power Plant	Installed capacity (no. of units x MW)	Percentage of ownership by HIPDC	Other shareholders
1	HIPDC Changing Branch Company (Luohuang Power Plant)	4x360	(Note 3)	(Note 4)
2	HIPDC Chongqing Branch Company (Chongqin CCGT)	2x36.75 1x35.1	(Note 3)	(Note 4)
3	HIPDC Yueyang Branch Company	2x362.5	(Note 3)	(Note 4)
4	HIPDC Yingkou Branch Company	2x300	(Note 3)	(Note 4)
5	HIPDC Beijing Branch Company (Beijing Huaneng Thermal Power Plant)	2x165 2x220	(Note 3)	(Note 4)

Note 1: Huaneng Group has the management right of such power plant

Note 2: The board of directors is controlled by Huaneng Group.

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Note 3: The structure of the investment is subject to confirmation. However, HIPDC will have them of more than 50%

Note 4: Beneficiaries nominated by the local governments.

CONNECTED TRANSACTION

As Huaneng Group and HIPDC are indirect and direct substantial shareholders of the Company due to HIPDC's 42.58% ownership of the Company and Huaneng Group's 51.98% ownership in HIPDC, under the Hong Kong Listing Rules, Huaneng Group and HIPDC are connected persons to the Company. The Transaction will constitute a connected transaction for the Company under Rule 14.25(1) of the Hong Kong Listing Rules.

The estimated service fee payable in respect of the Transaction per annum falls below the de minimus threshold of the higher of HK\$10,000,000 or 3% of the net tangible assets of the Company (and its subsidiaries) under Rule 14.25(1) of the Hong Kong Listing Rules.

Directors' opinion on the Transaction

The Directors (including the Independent Directors) consider that the Transaction is and will be carried out in the Company's ordinary course of business at arm's length basis, on normal commercial terms and is fair and reasonable to the shareholders of the Company. The Directors believe that the consideration under the Transaction is reasonable and is fair to both the Company and all its shareholders. The Entrusted Management is in accordance with the long term development strategy of the Company.

WAIVER TO BE SOUGHT

As the Directors consider that it would be impracticable for the Company to comply strictly with the connected transactions requirements of the Hong Kong Listing Rules on each occasion when the Transaction arises, the Company will apply to the Hong Kong Stock Exchange for a waiver of the Transaction from strict compliance with such requirements:

- (a) the Transaction will be (i) in the ordinary and usual course of business of the Company; and (ii) either on normal commercial terms, or on terms no less favourable than those available to (or from) independent third parties; or (iii) where there is no available comparison for the purpose of determining whether (i) or (ii) is satisfied, on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (b) the aggregate value of the Transaction in each financial year will not exceed 3% of the net tangible assets of the Company (as disclosed in the Company's published consolidated accounts) during the latest period;
- (c) details of the Transaction as required by Rule 14.25(1) (A) to (D) of the Hong Kong Listing Rules to be disclosed in the Company's next and subsequent published annual reports;
- (d) the Independent Directors shall review annually the Transaction and confirm in the Company's annual report that the Transaction has been conducted in the manner stated in condition (a) and (b) above; and
- (e) the auditors of the Company shall review annually the Transaction,

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and confirm to the board of Directors in writing (a copy of which will be provided to the Stock Exchange) that the Transaction:

- (i) received the approval of the Directors;
- (ii) has been entered into at price levels consistent with the pricing policies as stated in the relevant agreements;
- (iii) has been entered into in accordance with the terms of the agreement governing the Transaction; and
- (iv) has not exceeded the caps as set out in condition (b) above; and

Where, for whatever reason, the auditor declines to accept the engagement or is unable to provide the letter, the Directors shall notify the Stock Exchange immediately.

CONNECTED TRANSACTIONS UNDER SHANGHAI LISTING RULES

As the A shares of the Company are listed on the Shanghai Stock Exchange, the Company is required, in addition to the Hong Kong Listing Rules, also to comply with the Shanghai Listing Rules.

The Transaction will constitute a connected transaction under the Shanghai Listing Rules, which shall be subject to the approval of the Company's shareholders. The connected persons (as defined under the Shanghai Listing Rules) shall abstain from voting on resolutions related to the Transactions.

In accordance with Rule 7.3.11(9) of the Shanghai Listing Rules, the Company has appointed Beijing H&J Vanguard Consulting Limited ("Hejun") as the PRC independent financial advisor to the Independent Directors in respect of the Transaction.

Details of Hejun's views regarding the Transaction will be set out in the Circular to be dispatched by the Company in respect of the Transaction to the shareholders.

The Independent Directors are of the view that (1) the board of Directors has met the relevant requirements of the Shanghai Listing Rules and the articles of association of the Company regarding approval of the relevant resolutions of the Transaction; and (2) the Transaction arising therefrom is fair to the Company's shareholders.

THE EGM

The Company will convene an EGM on 23rd December 2002 to consider the approval of the Transaction (including the Entrusted Management Agreement). Huaneng Group, HIPDC, and their respective Associates will abstain from voting at the EGM in respect of the ordinary resolutions to approve the Transaction (including the Entrusted Management Agreement). The Company expects that the notice of the EGM and the Circular giving further information on the Transaction (including the Entrusted Management Agreement) will be despatched to shareholders of H shares within 21 days from the date of this announcement.

DOCUMENTS FOR INSPECTION

The following documents are now available for inspection at the Company's office:

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1. Resolutions of the board of Directors and minutes signed by the Directors;
2. Entrusted Management Agreement; and
3. Opinion of Beijing H&J Vanguard Consulting Limited (as the PRC independent financial advisor).

DEFINITIONS

"Associate"	the meaning ascribed to it in the Hong Kong Listing Rules;
"Circular"	the Circular to be despatched to its shareholders of H shares by the Company in respect of the Transaction;
"Company"	Huaneng Power International, Inc.;
"Directors"	the directors of the Company;
"Entrusted Management"	the management of the Entrusted Power Plants entrusted by Huaneng Group and HIPDC to the Company pursuant to the Entrusted Management Agreement;
"Entrusted Management Agreement"	the entrusted management agreement entered into among the Company, Huaneng Group and HIPDC on 6th November 2002;
"Entrusted Power Plants"	the power plants currently or in the future managed or controlled by Huaneng Group or HIPDC, the management of which will be entrusted to the Company in accordance with the Entrusted Management Agreement;
"EGM"	an extraordinary general meeting of the Company to be held for shareholders of the Company to consider and approve the Transaction;
"HIPDC"	Huaneng International Power Development Corporation;
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
"Huaneng Group"	China Huaneng Group;
"Independent Directors"	the independent directors of the Company, who are invited to advise the Independent Shareholders in connection with the Transaction;
"Independent Shareholders"	shareholders of the Company other than Huaneng Group, HIPDC and their respective Associates;
"Latest Practicable Date"	6th November 2002, being the latest practicable date prior to the publication of this announcement for ascertaining certain information referred to in this announcement;
"Net Installed Capacity"	the total of the installed capacity of controlled power plants (of which be calculated on 100% equity basis) and uncontrolled power plants (of which be calculated on owned equity basis);

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"PRC" the People's Republic of China;

"RMB" the lawful currency of the PRC;

"Shanghai Listing Rules" The Listing Rules of Shanghai Stock Exchange

"Stock Exchange" The Stock Exchange of Hong Kong Limited; and

"Transaction" the subject of the Entrusted Management Agreement.

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

Beijing, the PRC
7th November 2002

[GRAPHIC OMITTED]

To: Business Editor
[For Immediate Release]

HUANENG POWER INTERNATIONAL, INC.
Entered into Management Agreement
with Huaneng Group and HIPDC

(Beijing, China, November 6, 2002) Huaneng Power International, Inc. (the "Company") [NYSE: HNP; HKEx: 902; SSE: 600011] today entered into the Management Agreement (the "Agreement") with China Huaneng Group (the "Huaneng Group") and Huaneng International Power Development Corporation ("HIPDC") in Beijing. Pursuant to the Agreement, the Company agreed to provide management services to Huaneng Group and HIPDC for the thermal power plants managed and controlled by them. Huaneng Group and HIPDC will pay management fee to the Company, and the total management fee per year is approximately RMB 50.6 million. The Agreement was approved by the directors of the Company at the Company's board meeting held on November 5, 2002.

As Huaneng Group owns 51.98% equity interest in HIPDC and HIPDC holds 42.58% shares of the Company, the transaction under the Agreement constitutes a connected transaction for the Company, which should be subject to the approval of the Company's independent shareholders at the extraordinary general meeting to be held on December 23, 2002. Huaneng Group, HIPDC, and their respective Associates will abstain from voting at the extraordinary general meeting in respect of the resolutions relating to the Agreement.

The Company is able to gain more management experience and further improve the quality of its management abilities through the management of the entrusted power plants. By the reason of above, the Company will be able to further strengthen its leading position in the power generation market of the PRC. At the same time of streamlining the management structure of the thermal power generation assets of Huaneng Group, it also paves the way for the further integration of the power generation assets of Huaneng Group.

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Huaneng Power Int'l Inc. Entered into Entrusted Management Agreement with Huaneng Group and HIPDC...P.2

Huaneng Power International, Inc. develops, constructs, operates and manages large thermal power plants in China nationwide. With total net generation capacity of 13,895MW, the Company is the largest independent power producer in China.

- End -

For any details regarding this agreement, please refer to the announcements published in Wen Wei Po and South China Morning Post dated November 7, 2002. The soft copy of the announcement will also be made available at the following websites: Hong Kong Stock Exchange: <http://www.hkex.com.hk> The Company: <http://www.hpi.com.cn>

For further information, please contact:

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Mr. Raymond Siu / Ms. Edith Lui
Rikes Communications Limited
Tel: (852) 2520 2201 / 9496 6188 / 9277 8595
Fax: (852) 2520 2241

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the under- signed, thereunto duly authorized.

HUANENG POWER INTERNATIONAL, INC.

By /s/ Wang Xiaosong

Name: Wang Xiaosong
Title: Vice Chairman

Date: November 7, 2002