HUANENG POWER INTERNATIONAL INC
Form 6-K
April 15, 2010

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the month of April, 2010

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)
Form 20-F X Form 40-F _____

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)
Yes ____No X

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-__________.)
N/A

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This Form 6-K consists of:

The 2009 annual report of Huaneng Power International, Inc. (the “Registrant”), filed by the Registrant on April 9, 2010.

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Company Profile

Huaneng Power International, Inc. (the "Company" or "Huaneng Power") and its subsidiaries are engaged in developing, constructing, operating and managing large-scale power plants throughout China. As at March 2010, the Company is one of China's largest listed power producers with equity-based generation capacity of 45,912MW and controlling generation capacity of 49,433MW, and its domestic power plants are located in 17 provinces, provincial-level municipalities and autonomous regions. The Company also has a wholly-owned power plant in Singapore.

The Company was incorporated on 30 June 1994. It completed its initial public offering of 1,250,000,000 overseas listed foreign shares ("foreign shares") in October 1994, of which 31,250,000 American Depository Shares were listed on the New York Stock Exchange (NYSE: HNP). In January 1998, the foreign shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") by way of introduction (Stock Code: 902). Subsequently, in March 1998, the Company successfully completed a global placement of 250,000,000 foreign shares along with a private placement of 400,000,000 domestic shares. In November 2001, the Company successfully completed the issue of 350,000,000 A Shares in the PRC, of which 250,000,000 shares were domestic public shares. Currently, the total share capital of the Company amounts to approximately 12.06 billion shares.

The core business of the Company is to develop, construct, and operate large-scale power plants by making use of modern technology and equipment and financial resources available domestically and internationally. As a power generation enterprise, the Company has been since its incorporation insisting on innovations in technologies, structure, management; and on aspects regarding the advancement in power technologies, power plant facilities and mode of management, etc., the Company has been the pioneer and created various milestones within the domestic industry. The Company was the first to introduce a 600MW supercritical coal-fired generating unit into China while its Huaneng Dalian Power Plant was the first one to be awarded the honor of "First Class Coal-fired Power Plant" in China. The generating unit 1 at Huaneng Yuhuan Power Plant is the first operating single 1,000MW ultra-supercritical coal-fired generating unit in China, Huaneng Yuhuan Power Plant was the first domestically made 1,000MW ultra-supercritical coal-fired power plant in China that was put into commercial operation, and the generating unit 1 at Haimen Power Plant was the first 1,000MW generating unit in the world using sea water desulphurisation facilities. The Company was the first power company in China to achieve listing status in New York, Hong Kong and Shanghai. The overall manpower efficiency of the Company has been remaining at the forefront in China's power industry.

Throughout the years, with efforts in seeking expansion and operating the business in a prudent manner, the Company has expanded gradually, with steady profit growth and increasing competitive strengths. The success of the Company is attributable to the following competitive advantages: firstly, advanced equipment, highly efficient generating units and stable operation of power plants; secondly, high-quality staff and experienced management; thirdly, a disciplined corporate governance structure and rationalized decision-making mechanisms; fourthly, geographical strategic advantages of the locations of the power plants which present promising prospects in the power market; and fifthly, good credit standing and reputation domestically and internationally and rich experience in the capital markets.

The objectives of the Company are: as a power company, strive to provide sufficient, reliable and environment friendly electricity to the society; as a listed company, create long-term, stable and increasing returns for its shareholders; and as a first class corporation, endeavor to become a leading enterprise domestically and an advanced enterprise internationally.

Huaneng International Power Development Corporation ("HIPDC"), the Company's parent company and controlling shareholder, was incorporated as a Sino-foreign joint venture in 1985. The Company was incorporated by way of joint promotion by HIPDC and local government investment companies in the regions where the power plants are located.

Power Plant on Distribution of Huaneng Power

Excel with Clear Strategy

Major Corporate Events in 2009

January	The Company announced an increase of 6.30% in domestic power generation in 2008 over the previous year.
February	The Company announced the completion of the issue of the first tranche short-term debenture in 2009 in an aggregate amount of RMB5 billion.
March	The Company announced the annual results for 2008. Under IFRS, the Company recorded net operating revenue of RMB67.564 billion and a net loss attributable to equity holders of the Company amounting to RMB3.938 billion. Management of the Company held press conference on its annual results in Hong Kong and Beijing respectively.
April	The Company announced that domestic power generation in the first quarter of 2009 decreased by 9.28% compared to the same period of the previous year. The Company announced its first quarterly results for 2009. The net profit attributable to shareholders of the Company reported in the consolidated financial statements of the Company under PRC GAAP was RMB550 million, representing a growth of 127.27% over the same period of the previous year. The Company held a telephone conference following the announcement of its first quarterly results of 2009 with analysts and fund managers within and outside of the PRC.
May	The Company completed the issue of the first tranche medium-term notes in 2009. The 13th Annual Meeting of the Large-scale Coal-fired Generating Unit (600MW) Competition of the PRC announced the competition results for Year 2009. Unit 1 of Huaneng Qinbei Power Plant won the First Class award with an overall second ranking. Unit 2 of Huaneng Dalian Power Plant was conferred the honour of "Golden Unit" in reliability of coal-fired generating unit (300MW). The construction of the two 600MW coal-fired generating units at Huaneng Qinbei Power Plant Phase II was honoured with the "2009 Premium Quality Power Construction in China" award.
June	The Company convened the 2008 Annual General Meeting

July	The Company announced that domestic power generation in the first half year of 2009 decreased by 5.84% compared to the same period of the previous year. Unit 1 at Haimen Power Plant, the first 1,000MW generating unit in the Southern China Grid and Guangdong Province, commenced commercial operation.
August	The Company announced its interim results for 2009, with a net profit attributable to equity holders of the Company of RMB1.870 billion under IFRS, representing a growth of 443.94% compared to the same period of the previous year. The Company held a telephone conference following the announcement of its interim results of 2009 with analysts and fund managers within and outside of the PRC. The Company announced the completion of the issue of the second tranche short-term debenture in an aggregate amount of RMB5 billion.
September	The transaction in which the Company acquired 65% interests in Qidong Wind Power from Huaneng New Energy took effect. The controlling generation capacity and equity-based installed capacity increased by 92MW and 60MW respectively. The construction project of the four 1,000MW ultra-supercritical units at Huaneng Yuhuan Power Plant is the only coal-fired generating construction project shortlisted in the "One hundred major classic construction projects" at the 60th anniversary of New China. The Company acquired 55% interests in Tianjin Huaneng Yangliuqing Co-generation and 41% interests in Huaneng Beijing Co-generation Plant from Huaneng Group and HIPDC respectively, increasing the controlling generation capacity and equity-based installed capacity of the Company by 2,045MW and 1,006MW respectively.
October	The Company announced that domestic power generation in the first three quarters of 2009 increased by 3.08% compared to the same period of previous year. The Company announced its third quarterly results for 2009. Under PRC GAAP, the Company recorded consolidated operating revenue of RMB56.678 billion in the first three quarters of 2009, representing a growth of 6.46% compared to the same period of previous year. The net profit attributable to shareholders of the Company reported in the consolidated financial statements was RMB4.131 billion, representing a growth of 261.37% compared to the same period of previous year. The Company held a telephone conference following the announcement of its third quarterly results of 2009 with analysts and fund managers within and outside of the PRC.

The Company approved the contribution agreement with Huaneng Group and HIPDC. The three companies will cooperate in establishing Shidaowan Nuclear Power Plant, developing, constructing, operating and managing 4 AP1000 pressurized water reactors, and producing and selling electricity and related products.

The Company won the third place of Triple A Corporate Governance Awards 2009 granted by the Asset Magazine.

Unit 2 (with a capacity of 1,036MW) of Haimen Power Plant commenced commercial operation.

The construction of Units 1 and 2 at Haimen Power Plant Phase I is the first 1,000MW generating unit construction in the PRC in which desulphurization and denitrification facilities commenced operations in tandem with the main unit.

November

The Company organized a visit to Beijing Co-generation Power Plant by PRC and overseas securities analysts and fund managers.

The Company announced the adjustments of tariffs of its power plants.

Tuas Power held a commencement ceremony for the Tembusu multi-utilities complex project at the construction site in Jurong Island, Singapore.

December

Unit 3 and Unit 4 at Huaneng Jinggangshan Power Plant passed the 168-hour trial operation, while Unit 3 is the first 660MW ultra-supercritical coal-fired generating unit in the Central China power grid.

Unit 3 at Jinling Power Plant (Coal-Fired) passed the 168-hour trial operation.

Unit 1 and Unit 2 at Liaoning Yingkou Co-generation passed the 168-hour trial operation.

Unit 1 at and Unit 2 at Shandong Jining Co-generation passed the 168-hour trial operation.

Inner Mongolia Huade Wind Power passed the trial operation.

The Company entered into an Equity Interest Transfer Contract with ShanDong Electric Power Corporation and Shandong Luneng Development Group Company Limited in Beijing.

The Board of the Company appointed Mr. Du Daming as Vice President of the Company.

The Board of the Company appointed Mr. Gao Shulin as Chief Economist of the Company.

The Company won the Most Progress in Investor Relations Award granted by IR Magazine of Britain and was nominated for the Best Investor Relations in Corporate Transactions.

The Company won the Award for Information Disclosure 2009 granted by Shanghai Stock Exchange.

Financial Highlights

(Amounts expressed in thousands of RMB, except per share data)

STATEMENT OF COMPREHENSIVE INCOME (NOTE 1)

	Year ended 31 December				
	2005	2006	2007	2008	2009
Operating revenue	40,370,261	44,422,501	49,892,049	67,835,114	76,862,896
Profit/(Loss) before income tax (expense)/benefit	6,592,208	8,016,773	7,319,301	(4,791,556)	5,703,976
Income tax (expense)/benefit	(1,044,297)	(1,127,699)	(838,270)	239,723	(593,787)
Profit/(Loss) after income tax (expense)/benefit	5,547,911	6,889,074	6,481,031	(4,551,833)	5,110,189
Attributable to:					
– Equity holders of the Company	4,871,794	6,071,154	6,161,127	(3,937,688)	4,929,544
– Minority interests	676,117	817,920	319,904	(614,145)	180,645
Basic earnings/(Loss) per share (RMB/share)	0.40	0.50	0.51	(0.33)	0.41
Diluted earnings/(Loss) per share (RMB/share)	0.40	0.50	0.51	(0.33)	0.41

BALANCE SHEET (NOTE 2)

	As at 31 December				
	2005	2006	2007	2008	2009
Total assets	99,439,696	113,938,822	124,296,129	165,917,758	197,887,179
Total liabilities	(53,295,509)	(63,330,130)	(72,216,487)	(123,357,805)	(147,239,059)
Net assets	46,144,187	50,608,692	52,079,642	42,559,953	50,648,120

Equity holders of the Company	40,037,474	43,457,509	46,928,580	36,829,320	42,124,183
Minority interests	6,106,713	7,151,183	5,151,062	5,730,633	8,523,937

Notes:

1. The results for the years ended 31 December 2005, 2006 and 2007 are derived from the historical financial statements of the Company except the revenue has been restated to consistent with the current year's presentation. The results for the years ended 31 December 2008 and 2009 are set out on pages 107 to 108. All such information is extracted from the financial statements prepared under International Financial Reporting Standards ("IFRS").

2. The balance sheets as at 31 December 2005, 2006 and 2007 are derived from the historical financial statements of the Company. The balance sheets as at 31 December 2008 and 2009 are set out on pages 109 to 111. All such information is extracted from the financial statements prepared under IFRS.

Profit /(Loss) attributable to equity holders of the Company under IFRS   For the years ended 31 December

Power generation   For the years ended 31 December

Generation capacity on an equity basis   As at 31 December

Save Energy and Go Green for a Better Society

Letter to Shareholders

Outperform with Concerted Efforts
To: All Shareholders,

The development objectives of Huaneng Power International are: as a power company, the Company is devoted to providing sufficient, reliable and environmental-friendly electricity to the society; as a listed company, the Company is devoted to creating long-term, stable and increasing returns for its shareholders; and as a first-class power company, the Company is devoted to becoming a leading enterprise domestically and an advanced enterprise internationally.

Starting from 2009, the Chinese government took prompt action to address the international financial crisis, including the timely launch of a string of economic stimulus packages and various kinds of fiscal policies, which enabled China's macro economy to step out of the shadows in no time. Recovery of downstream industries continued to bolster the growing demand for electricity in the entire country. Meanwhile, coal price in the domestic market declined from the previous year, indicating that the policy guidance in respect of electricity tariff adjustment put forward by the National Development and Reform Commission has gradually acted on the macro-economy, and in turn furnished a favorable business environment for China's power enterprises, as well as ample room for the profit growth of the power industry.

The year of 2009 marked the 15th anniversary of the founding of Huaneng Power International. Capitalizing on the advantages of China Huaneng Group in the area of resource coordination, the Company managed to optimize its professional management and streamlined operation and maximize synergy effect. It actively embraced the changes in the electricity, fuel and capital markets and was able to meet its annual performance targets. The significant improvement in operating results allowed Huaneng Power International to maintain its leading position in the industry, and in turn shored up the confidence and morale of its staff members while at the same time enhancing its reputation and brand image.

In 2009, the Company made new records in the areas of safe production, operations management, energy conservation, project development, capital operation, corporate governance and so on. Power plants of the Company in the PRC achieved power generation of 203.520 billion kWh, representing an increase of 10.23% over the last year; the consolidated operating revenue for the year was RMB76.863 billion, representing an increase of 13.31% from the corresponding period in 2008. Profit attributable to equity holders of the Company amounted to RMB4.930 billion, and earnings per share was RMB0.41. As for our Singapore operations, Tuas Power achieved the most remarkable annual operating results ever since its establishment despite the complicated market environment, enabling it to contribute to the Company's profit growth.

The Board of Directors of the Company passed a resolution to approve the Proposal of Distribution of Dividends for 2009, pursuant to which the Company will distribute a cash dividend of RMB0.21 (inclusive of tax) to all shareholders for each share.

At present, there is a common understanding in the international society to develop a low-carbon economy and a green economy based on the principle of low energy consumption, low pollution and low emission. It is also the right strategic option that allows governments and enterprises worldwide to ward off impacts of the international financial crisis and to make economic transformation a reality. China has made the approaches addressing climate changes a topic in its domestic economy and social development planning. It strives to develop a green economy and nourish new economic growing points that feature low-carbon emission. To ensure sustainable development, we will proactively walk on the road of green, low-carbon and cyclic development to keep ourselves abreast of the times and act in line with the State's requirements. Besides, the Company will adhere to a scientific development approach during the process of establishing new advantages and breaking new grounds, in the hope of fulfilling its transformation from a traditional power company to a modern power company, and from resource consumption to green governance. Moreover, it will continue to stick to the sustainable development approach that is technology-rich, economically efficient, energy saving and environmentally friendly, so as to make the Company stand out as a first-rate listed power company that boasts prominent edges in terms of geographical location, cutting-edge power-generating technologies, advanced systems and mechanisms, established governance structures, effective joint development, sound fundamental management, as well as the largest asset scale, the highest economic efficiency and the strongest sense of social responsibility.

Adhering to the vision of being a responsible enterprise, we insist on reaping profits in a responsible manner, and supporting the continued enhancement of our corporate competitive edges through a responsible approach. In the future, we will continue to duly perform our economic responsibilities to provide our shareholders with long-term, stable and growing returns; we will continue to perform our safety duties by upholding the people-oriented and safe development approaches, and presenting ourselves as the safest corporation; we will continue to perform our environmental responsibilities by paying heed to people's livelihood and clean development to ensure utilization of resources in an efficient and energy saving manner, and turn the Company into a "green corporation"; we will continue to perform our social responsibilities by creating mutual benefits and win-win scenarios that are conductive to the harmonious development of the Company and its stakeholders, so that the Company may serve as an excellent corporate citizen; and we will continue to shoulder our responsibilities to improve people's livelihood by caring our staff, taking into consideration the public's needs, and safeguarding the legal interests of staff members to ensure the growth of the Company along with its staff.

By inheriting the past and usher in a brighter future, Huaneng Power International takes the lead in the industry and directs its performance, leading the sector to step on the path of sustainable development.

CAO Peixi
Chairman

Beijing, PRC
23 March 2010

Never Rest on Laurels

Management's Discussion and Analysis

OPERATING AND FINANCIAL REVIEWS AND PROSPECTS (MANAGEMENT'S DISCUSSION AND ANALYSIS)

(Prepared under International Financial Reporting Standards ("IFRS"), unless otherwise specified)

GENERAL

The principal activities of the Company are investment, construction, operation and management of power plants. The Company provides stable and reliable electricity supply to customers through grid operators where the operating plants are located. The Company is committed to scientific development, increasing economic efficiency, enhancing returns for shareholders, conserving resources and protecting the environment. The Company also attaches importance to social responsibilities and makes active efforts to build a harmonious society.

Since its incorporation, the Company has continued to expand its operating scale, thus increasing its operating revenue. The Company has also been the industry leader in terms of competitiveness, effectiveness of resources utilization and environmental protection. Currently, the Company is one of the largest listed power producers in China. Its power generation operations are widely located, covering the Northeast China Grid, the Northern China Grid, the Northwest China Grid, the Eastern China Grid, the Central China Grid, the Southern China Grid and Singapore.

Looking back in 2009, the general recovery of China's economy and increase in power demand has improved the Company's operating conditions. With the strong support of the shareholders and concerted efforts of the employees, the Company thoroughly applied the scientific development view, focused on the annual production and operation targets, responded actively to changes in power, coal and capital markets, continued pursuing market expansion, enhanced cost control and capital management with the view to reduce cost and improve efficiency, and achieved the annual target of turning loss into profit. In the meantime, the Company continued to diligently fulfill its social responsibilities to provide sufficient, reliable and clean electric power and achieved new progress in the areas of energy saving, project construction, generating units renovation and environmental protection.

A. OPERATING RESULTS

1. 2009 operating results

The Company completed its acquisitions of Huaneng Beijing Co-generation Limited Liability Company, Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company and Huaneng Qidong Wind Power Generation Co., Ltd. in September 2009. The three power generation companies mentioned ("newly acquired power plants", hereinafter) are consolidated into the financial statements of the Company theresince.

The power generation of the Company's power plants for the year ended 31 December 2009 was listed below (in billion kWh):

Power Plant	Power generation in 2009	Power generation in 2008	Change
Dalian	8.386	9.102	-7.87%
Dandong	4.078	4.209	-3.11%

Yingkou	9.402	10.735	-12.42%
Yingkou Co-generation	0.123	—	N/A
Shang'an	11.824	9.299	27.15%
Pingliang	5.077	7.201	-29.50%
Beijing Co-generation	4.394	4.998*	-12.08%
Yangliuqing Co-generation	6.007	6.793*	-11.57%
Yushe	4.464	4.951	-9.84%
Dezhou	14.910	14.022	6.33%
Jining	2.044	2.290	-10.74%
Xindian	3.345	4.241	-21.13%
Weihai	3.720	4.495	-17.24%
Rizhao Phase II	7.307	—	N/A
Qinbei	12.510	10.514	18.98%
Nantong	7.816	8.329	-6.16%
Nanjing	3.654	3.469	5.33%
Taicang	11.537	10.389	11.05%
Huaiyin	7.293	7.458	-2.21%
Jinling CCGT	2.273	2.204	3.13%
Qidong Wind Power	0.153	—	N/A
Shidongkou I	6.847	6.757	1.33%
Shidongkou II	6.691	7.534	-11.19%
Shanghai CCGT	0.847	0.598	41.64%
Luohuang	10.843	11.506	-5.76%
Changxing	1.585	1.516	4.55%
Yuhuan	19.913	19.442	2.42%
Yueyang	5.225	6.016	-13.15%
Jinggangshan	3.194	3.202	-0.25%
Fuzhou	8.511	8.129	4.70%
Shantou Coal-fired	6.198	7.020	-11.71%
Haimen	3.349	—	N/A
Total	203.520	184.628	10.23%

* Beijing Co-generation and Yangliuqing Co-generation were newly acquired generation plants by the Company in 2009. The power generation for these two power plants in 2008 included herein is for reference only and is not included in the aggregate power generation of the Company in 2008.

In 2009, the power generated by Tuas Power in Singapore accounted for 24.30% of the total power generated in Singapore, maintaining a similar level from 2008.

In respect of the tariff, the Company's average tariff of coal-fired power plants for the year ended 31 December 2009 was RMB412.28 per MWh, increase of RMB28.16 per MWh from the year ended 2008.

In respect of fuel supply and cost controls, the decrease of coal market price contributed to a decrease in fuel cost of the Company. Compared to last year, the Company's fuel cost per unit of power sold by coal-fired power plants decreased by 13.73% to RMB214.53 per MWh.

Combining the foregoing factors, the operating revenue of the Company and its subsidiaries for the year ended 31 December 2009 increased 13.31% from last year. For the year ended 31 December 2009, the Company and its subsidiaries recorded a net profit attributable to equity holders of the Company of RMB4.930 billion, increased 225.19% compared to the net loss attributable to equity holders of the Company of RMB3.938 billion for the year ended 31 December 2008. The profit position was primarily due to (i) the new generating units' commencement of operation, (ii) newly acquired power plants in 2009, (iii) the carryover effect of the acquisition of SinoSing Power Pte. Ltd. ("SinoSing Power") in 2008, (iv) the carryover effect of the adjustment to power tariffs in the second half of 2008, and (v) the decrease in fuel purchase price which attributed to the decrease in fuel cost.

2. Comparative Analysis of Operating results

2.1 Operating revenue and sale tax

Operating revenue primarily represents power sale revenue. For the year ended 31 December 2009, the consolidated operating revenue of the Company and its subsidiaries amounted to RMB76.863 billion, representing a 13.31% increase form RMB67.835 billion for the year ended 31 December 2008. The increase in operating revenue was primarily attributable to the new generating units' commencement of operations and the acquisitions. The operation of new generating units contributed RMB4.841 billion to the increase, and the acquisitions contributed RMB1.326 billion to the increase.

	Average tariff rate (VAT inclusive) (RMB/MWh)		
Power Plants	2009	2008	Change
Coal-fired Power Plants			
Dalian	368.66	338.05	9.05%
Fuzhou	412.24	401.22	2.75%
Nantong	401.71	385.53	4.20%
Shang'an	372.41	356.52	4.46%
Shantou Coal-fired	525.38	496.60	5.80%
Dandong	366.30	340.82	7.48%
Shidongkou II	411.80	377.04	9.22%
Nanjing	407.58	375.47	8.55%
Dezhou	418.92	394.08	6.30%
Weihai	459.90	422.78	8.78%
Jining	406.10	378.41	7.32%
Shidongkou I	425.76	377.35	12.83%
Taicang I	412.19	401.60	2.64%
Changxing	479.71	450.86	6.40%
Huaiyin Phase II	415.73	396.80	4.77%
Xindian	N/A	371.86	N/A
Yushe	320.53	305.07	5.07%
Yingkou	383.58	360.45	6.42%
Jinggangshan	414.16	379.99	8.99%
Luohuang	373.42	344.98	8.24%
Yueyang	434.26	392.58	10.62%
Qinbei	370.47	339.85	9.01%
Pingliang	261.02	238.89	9.26%
Yuhuan	467.54	444.92	5.08%
Taicang II	398.36	396.48	0.47%

Xindian II	404.30	370.99	8.98%
Haimen	497.45	N/A	N/A
Rizhao Phase II	394.24	N/A	N/A
Yingkou Co-generation	375.00	N/A	N/A
Beijing Co-generation	482.42	467.29	3.24%
Yangliuqing Co-generation	408.12	389.03	4.91%
Other Power Plants			
Shanghai CCGT	629.00	602.57	4.39%
Jinling CCGT	544.97	528.73	3.07%
Tuas Power	765.31	984.53	-22.27%
Qidong Wind Power	487.70	—	N/A

Sales tax mainly consists of taxes associated with value-added tax surcharges. According to relevant administrative regulations, these surcharges include City Construction Tax and Education Surcharges calculated at prescribed percentages on the amounts of the value-added tax paid. These surcharges are not applicable to direct foreign investments that have been approved by the government, thus not payable by certain power plants of the Company. For the year ended 31 December 2009, the sales tax amounted to RMB152 million, representing a 42.79% increase from the RMB106 million for the year ended 31 December 2008.

2.2 Operating expenses

For the year ended 31 December 2009, the total operating expenses of the Company and its subsidiaries was RMB67.537 billion, representing a 2.07% decrease from RMB68.965 billion for the year ended 31 December 2008.

The decrease was primarily attributable to the decrease in fuel prices. The operation of new generating units contributed RMB3.846 billion to the increase in operating expenses. Excluding the factor attributable to the operation of new generating units, the operating expenses decreased by RMB5.274 billion as compared to the operating expenses for the year ended 31 December 2008.

2.2.1 Fuel

Fuel cost represents the majority of the operating expenses for the Company and its subsidiaries. For the year ended 31 December 2009, fuel cost of the Company and its subsidiaries decreased 9.94% to RMB44.861 billion from RMB49.81 billion for the year ended 31 December 2008. The decrease was primarily attributable to the decrease in fuel price. The operation of new generating units accounted for RMB2.921 billion of the increase in fuel cost. Excluding the factor attributable to the operation of new generating units, the fuel cost decreased by RMB7.87 billion as compared to the fuel cost for the year ended 31 December 2008.

For the year ended 31 December 2009, the average price (excluding tax) of natural coal was RMB460.83 per ton, representing a 11.32% decrease from RMB519.66 per ton for the year ended 31 December 2008. Due to the decrease in coal price, the unit fuel cost per unit of power sold by the Company’s coal-fired power plants decreased 13.73% to RMB214.53.

2.2.2 Maintenance

For the year ended 31 December 2009, the maintenance expenses of the Company and its subsidiaries amounted to RMB2.035 billion, representing a 19.56% increase from RMB1.702 billion for the year ended 31 December 2008. The operation of new generating units, newly acquired power plants and the maintenance expenses of the existing generating units accounted for RMB110 million, RMB46 million and RMB177 million of the increase, respectively.

2.2.3 Depreciation

For the year ended 31 December 2009, depreciation expenses of the Company and its subsidiaries increased by 11.06% to RMB8.572 billion from RMB7.719 billion for the year ended 31 December 2008. The increase was primarily attributable to the Company's expansion.

2.2.4 Labor

Labor costs consist of salaries to employees and contributions payable to relevant state authorities for employees' housing fund, medical insurance, pension and unemployment insurance, as well as training costs. For the year ended 31 December 2009, the labor costs of the Company and its subsidiaries amounted to RMB3.595 billion, representing a 13.61% increase from RMB3.165 billion for the year ended 31 December 2008. The increase was primarily attributable to the operation of new generating units and newly acquired power plants.

2.2.5 Other operating expenses (including power purchase costs and service fees paid to HIPDC)

Other operating expenses include pollutants discharge expenses, land fee, insurance premiums, office expenses, amortization, and power purchase costs of Tuas Power. For the year ended 31 December 2009, other operating expenses (including power purchase costs) of the Company and its subsidiaries was RMB8.473 billion, representing a 28.99% increase from RMB6.569 billion for the year ended 31 December 2008. The increase was primarily attributable to the operation of new generating units and acquisitions, as well as the provision for impairment loss on assets of Xindian Power Plant upon its shutdown of generators. The operation of new generating units, other expenses of Yingkou Port and the provision for impairment loss on property, plant and equipment contributed RMB265 million, RMB266 million and RMB630 million to the increase of other operating expenses for the year ended 31 December 2009, respectively.

2.3 Financial expenses

Financial expenses consist of interest expense, bank charges and net exchange differences.

2.3.1 Interest expense

For the year ended 31 December 2009, the interest expense of the Company and its subsidiaries was RMB4.260 billion, representing a 4.81% increase from RMB4.065 billion for the year ended 31 December 2008. The increase was primarily attributable to expensing instead of capitalizing interest upon commercial operations of new generating units, which accounted for RMB360 million of the increase. Excluding the factor of new generating units, the decrease in interest rate of borrowings attributed to a decrease in the interest expense.

2.3.2 Net exchange differences and bank charges

For the year ended 31 December 2009, the exchange gains less bank charges of the Company and its subsidiaries amounted to RMB-49 million, representing a significant change compared to RMB357 million for the year ended 31 December 2008. For the year ended 31 December 2009, exchange gains of the Company and its subsidiaries was RMB41 million, representing a decrease of RMB368 million from RMB409 million for the year ended 31 December 2008.

2.4 Share of profits of associates

For the year ended 31 December 2009, the share of profits of associates was RMB756 million, a RMB683 million increase from RMB73 million for the year ended 31 December 2008. The increase was primarily due to the increase of profitability of associates for the year ended 31 December 2009.

2.5 Enterprise Income Tax ("EIT")

For the year ended 31 December 2009, the Company and its subsidiaries recorded an EIT expense of RMB594 million, representing a 347.70% increase from RMB-240 million for the year ended 31 December 2008. The increase was primarily due to the increase of the Company's profit for the year ended 31 December 2009.

2.6 Profit for the year, Profit attributable to the Company's equity holders and Minority interests

For the year ended 31 December 2009, the Company and its subsidiaries recorded a net profit of RMB5.110 billion, an increase of RMB9.662 billion as compared to net loss of RMB4.552 billion for the year ended 31 December 2008. The recovery from loss position was largely attributable to (i) the operation of new generating units, (ii) newly acquired power plants in 2009, (iii) the carryover effect of the acquisition of SinoSing Power in the first half of 2008, (iv) the carryover effect of the increase in power tariffs in the second half of 2008 which attributed to an increase in operating revenue, and (v) the decrease in fuel purchase price which attributed to the decrease in fuel cost. For the year ended 31 December 2009, the profit attributable to equity holders of the Company was RMB4.930 billion, representing an increase of RMB8.868 billion from a loss of RMB3.938 billion for the year ended 31 December 2008. Combining the foregoing factors, the minority interests increased to RMB181 million for the year ended 31 December 2009 from RMB-614 million for the year ended 31 December 2008.

2.7 Comparison of financial positions

The assets and liabilities of the Company and its subsidiaries experienced significant change during the year 2009, due to newly acquired power plants and continued investments in construction projects.

2.7.1 Comparison of asset items

As at 31 December 2009, total assets of the Company and its subsidiaries amounted to RMB197.887 billion, representing a 19.27% increase from RMB165.918 billion as at 31 December 2008. Non-current assets increased by 19.05% to RMB173.697 billion, primarily due to the continued investment in construction projects and acquisitions of power plants. Current assets increased RMB4.172 billion, or 20.84%, to RMB24.190 billion, primarily due to the increase in accounts receivable and input VAT recoverables arising from acquisitions of property, plant and equipment and construction materials.

2.7.2 Comparison of liabilities items

As at 31 December 2009, total liabilities of the Company and its subsidiaries amounted to RMB147.239 billion, representing a 19.36% increase from RMB123.358 billion as at 31 December 2008, primarily attributable to the increased borrowings for construction projects. Non-current liabilities of the Company and its subsidiaries mainly consisted of bank loans and bonds. The increase of current liabilities was largely attributable to increased short-term bonds.

As at 31 December 2009, interest-bearing debts of the Company and its subsidiaries totaled RMB129.220 billion. The interest-bearing debts consisted of long-term loans (including those maturing within a year), long-term bonds, short-term loans, short-term bonds and notes payable. The interest-bearing debts denominated in foreign currencies amounted to RMB8.195 billion.

2.7.3 Comparison of equity items

Excluding the impact of profit and profit appropriations, the Company's equity items increased for the year ended 31 December 2009, primarily attributable to after-tax increase of RMB773 million for increase in fair value of the listed shares held by the Company and after-tax increase of RMB575 million from the movements of hedging reserves of Tuas Power.

2.7.4 Major financial position ratios

	2009	2008
Current ratio	0.41	0.38
Quick ratio	0.34	0.28
Ratio of liability and shareholders' equity	3.50	3.35
Multiples of interest earned	1.79	-0.14

Formula of the financial ratios:

Current ratio = balance of current assets as at year end / balance of current liabilities as at year end

Quick ratio = (balance of current assets as at year end - net inventories as at year end) / balance of current liabilities as at year end

Ratio of liabilities and shareholders' equity = balance of liabilities as at year end / balance of shareholders' equity as at year end (excluding minority interests)

Multiples of interest earned = (profit before tax + interest expense) / interest expenditure (including capitalized interest)

The current ratio and quick ratio remained at relatively low level as at 31 December 2009 and 2008, and there is slight increase at the year end of 2009 from the year end of 2008. The increase in the ratio of liabilities and shareholders' equity at the year end of 2009 from the year end of 2008 was primarily due to the increased borrowings for construction projects. The multiples of interest earned increased, primarily attributable to the increase in operating profit for the year ended 31 December 2009.

B. LIQUIDITY AND CASH RESOURCES

1. Liquidity

For the year ended 31 December

	2009 RMB billion	2008 RMB billion	Change %
Net cash provided by operating activities	14.981	5.186	188.88%
Net cash used in investing activities	-24.880	-47.957	-48.12%
Net cash provided by financing activities	9.503	41.255	-76.96%
Impact on currency exchange	0.056	-0.229	-124.26%
Net decrease in cash and cash equivalents	-0.34	-1.745	-80.54%
Cash and cash equivalents as of the beginning of the year	5.567	7.312	-23.87%
Cash and cash equivalents as of the end of the year	5.227	5.567	-6.10%

For the year ended 31 December 2009, net cash provided by operating activities of the Company was RMB14.981 billion. The decrease in cash used in investing activities and cash provided by financing activities as compared to prior year was mainly attributed to smaller scale acquisitions in 2009 as compared to the acquisition of SinoSing Power in 2008. The Company expects to continue its focus on construction projects in 2010.

As at 31 December 2009, the cash and cash equivalents of the Company and its subsidiaries denominated in RMB, Singapore dollar, U.S. dollar, and Japanese Yen were RMB3.391 billion, RMB1.580 billion, RMB475 million and RMB6 million, respectively.

As at 31 December 2009, net current liabilities of the Company and its subsidiaries were approximately RMB35.392 billion. Based on the Company's proven financing record, readily available banking facilities and sound credibility, the Company believes it is able to duly repay outstanding debts, obtain long-term financing and secure funding necessary for its operations. The Company has also capitalized on its good credit record to make short-term borrowings at relatively lower interest rates, thus reducing its interest expense.

2. Capital expenditures and cash resources

2.1 Capital expenditures on acquisitions

On 21 April 2009, the Company entered into a transfer agreement with China Huaneng Group ("Huaneng Group"), pursuant to which, the Company agreed to acquire 55% equity interest in Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company held by Huaneng Group for a consideration of RMB1.076 billion. On the same day, the Company entered into a transfer agreement with HIPDC, pursuant to which, the Company agreed to acquire 41%

equity interest in Huaneng Beijing Co-generation Limited Liability Company held by HIPDC for a consideration of RMB1.272 billion. The consideration totaled RMB2.348 billion.

2.2 Capital expenditures on construction and renovation projects

The capital expenditures for the year ended 31 December 2009 amounted to approximately RMB22.620 billion, mainly applied in construction and renovation projects, including RMB167 million for Yuhuan project, RMB747 million for Yueyang expansion project, RMB419 million for Yingkou expansion project, RMB1.371 billion for Qinbei expansion project, RMB233 million for Shang'an expansion project, RMB1.751 billion for Haimen project, RMB1.393 billion for Jinggangshan expansion project, RMB2.458 billion for Jinling coal-fired project, RMB2.035 billion for Shanghai Power Company project, RMB674 million for Jining Co-generation project, RMB346 million for Huade Wind Power project, RMB1.483 billion for Yingkou Co-generation project, RMB1.238 billion for Fuzhou expansion project, RMB748 million for Weihai expansion project and RMB1.225 billion for Pingliang expansion project. The expenditures on other construction projects and renovation amounted to RMB2.251 billion and RMB4.081 billion, respectively.

The capital expenditures above are sourced mainly from internal funds, debt financing and cash flows provided by operating activities.

The Company expects to have significant capital expenditures in the next few years. During the course, the Company will make active efforts to improve project planning process on commercially viable basis. The Company will also actively develop newly planned projects to pave the way for its long-term growth. The Company expects to finance the above capital expenditures through internal funding, debt financing and cash flows provided by operating activities. The cash requirements, usage plans and cash resources of the Company for the next two years are as follows:

(unit: RMB billion)

Project	Capital expenditure arrangements 2010	Capital expenditure arrangements 2011	Contractual arrangements 2010	Contractual arrangements 2011	Financing methods	Funding resources arrangements	Finance costs and note on usage
Thermal power projects	14.47	17.715	14.47	17.715	Debts and planned equity financing	Internal cash funding & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Hydropower projects	0.5	0.1	0.5	0.1	Debts financing	Internal cash funding & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC

Wind power projects	1.203	4.5	1.203	4.5	Debts and planned equity financing	Internal cash funding & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Port projects	0.5	1.67	0.5	1.67	Debts financing	Internal cash funding & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Renovation projects	4.669	4.719	4.669	4.719	—	Internal cash funding	—

2.3 Cash resources and anticipated finance costs

The Company expects to finance its capital expenditures and acquisition primarily from internal fundings, cash flow from operating activities and debts and equity financing. Good operating results and sound credit status provide the Company with strong financing capabilities. As at 31 December 2009, the Company and its subsidiaries had aggregate undrawn banking facilities of RMB27.962 billion. As resolved at the 2007 and 2008 shareholders' meetings on 13 May 2008 and 18 June 2009, the Company was mandated to issue within the PRC unsecured short-term bonds of principal amount up to RMB10 billion in one or multiple tranches within 12 months from the dates of respective meetings. The Company has completed the issue of unsecured short-term bonds in two installments on 24 February 2009 and 9 September 2009, each at principal amount of RMB5 billion and interest rates of 1.88% and 2.32%, respectively. Both tranches of bonds were denominated in RMB, issued at par value, and would mature in 365 days and 270 days, respectively. The effective interest rates for these bonds were 2.29% and 2.87% per annum, respectively.

The RMB5 billion unsecured short-term bonds issued by the Company and its subsidiaries in 2008 was repaid in July 2009. The effective interest rate of these bonds was 5.25% per annum.

As resolved at the extraordinary shareholders' meeting on 23 December 2008, the Company was mandated to issue within the PRC medium-term notes of principal amount up to RMB10 billion in one or multiple tranches within 12 months from the date of the meeting. The Company has completed the issue of first tranche medium-term notes on 14 May 2009 at principal amount of RMB4 billion with interest rate of 3.72% per annum. The medium-term notes were denominated in RMB, issued at par value, and would mature in 5 years. The effective interest rate for these medium-term notes was 4.06% per annum.

As at 31 December 2009, short-term borrowings of the Company and its subsidiaries totaled RMB24.730 billion (2008: RMB28.745 billion). Bank loans were charged at interest rates ranging between 1.30% and 7.47% per annum (2008: 1.42% to 7.47%). Short-term bonds payable by the Company and its subsidiaries totaled RMB10.101 billion (2008: RMB5.096 billion).

As at 31 December 2009, long-term borrowings of the Company and its subsidiaries totaled approximately RMB80.517 billion (2008: approximately RMB65.573 billion), consisting of borrowings denominated in RMB of approximately RMB57.344 billion (2008: approximately RMB53.043 billion), in US dollars of approximately US$1.046 billion (2008: approximately US$1.641 billion), and in Euro of approximately Euro 105 million (2008: approximately Euro 56 million). Included in the above, U.S. dollar denominated borrowings were approximately US$820 million (2008: US$1,319 million) floating-rate borrowings. Japanese Yen and Singapore dollar denominated borrowings were all floating-rate borrowings. For the year ended 31 December 2009, long-term borrowings of the Company and its subsidiaries bore interest rates from 1.44% to 7.56% (2008: 1.31% to 7.74%) per annum.

The Company and its subsidiaries will closely monitor any change in the currency and interest rate markets and cautiously assess the currency and interest rate risks.

Combining the current development of the power generation industry and the growth of the Company, the Company will make continuous efforts to not only meet cash requirements of daily operations, constructions and acquisitions, but also establish an optimal capital structure to minimize the cost of capital and manage financial risks through effective financial management activities, thus maintaining sustainable and stable returns to the shareholders.

2.4 Other financing requirements

The objective of the Company is to bring long-term, steadily growing returns to shareholders. In line with this objective, the Company follows a proactive, stable and balanced dividend policy. In accordance with the profit appropriation plan of the board of directors of the Company (subject to the approval of the shareholders' meeting), the Company expects to pay a cash dividend of approximately RMB2.5316 billion relating to the year 2009.

2.5 Maturity profile of loans

(Unit: RMB billions)

Project	2010	2011	2012	2013	2014
Principal proposed to be repaid	48.8	14.4	14.9	5.0	4.7
Interest proposed to be repaid	4.2	3.2	2.4	2.0	1.7
Total	53.0	17.6	17.3	7.0	6.4

Note: (1) This table is prepared according to the amounts stated in the contracts which have been entered into;

Note: (2) The amount of the principal to be repaid in 2010 is relatively large because this includes expected repayments of short-term loans and short-term bonds.

C. TREND ANALYSIS

According to the National Power Industry Statistics Express for 2009 issued by China Electricity Council, as at 31 December 2009, nationwide installed power generating capacity reached 874,000 MW, representing a 10.34% year-on-year increase. For the year ended 31 December 2009, power generated throughout PRC reached 3.6639 trillion kWh, representing a 6.71% year-on-year increase. Thermal power accounted for 2.9922 trillion kWh, or approximately 81.66% of the total power generated, representing a 6.7% increase from the year ended 31 December

2008. A large number of power generating projects were completed and put into operation during 2009, further easing the power shortage and contributing to a generally balanced power market in China. Consequently the utilization hours of generators dropped continuously and considerably. For the year ended 31 December 2009, nationwide average accumulated utilization hours of power plants with 6,000 KW and above capacities were 4,527 hours, representing a decrease of 121 hours from the year ended 31 December 2008. Utilization hours of thermal power generators were 4,839 hours, representing a decrease of 46 hours from the same period last year.

In the year 2009, the Company's new generating units commencing operations include two 1,036 MW generating units of Haimen Power Plant, two 660 MW generating units of Jinggangshan Power Plant, one 1,030 MW generating unit of Jinling Power Plant, two 330 MW generating units of Yingkou Co-generation Power Plant, two 350 MW generating units of Jining Co-generation Power Plant and 49.5 MW generating units of Huade Wind Power Plant. The operation of new generating units contributed to an aggregate of 5,832 MW of the Company's aggregate controlling installed capacity. In addition, two 600 MW coal-fired generating unit (Units 5 and 6) of Pingliang Power Plant have completed the 168-hour trial run in February and March 2010, respectively. In addition, the Company also conducted technical renovation on existing generating units and shut down small generating units, which resulted in the change in the Company's aggregate installed capacity. The Company now has a controlling generating capacity of 49,433MW, and a total generating capacity of 45,912MW on an equity basis. The Company's power plants are widely located in various provinces and municipalities directly under the central government, including Shandong, Liaoning, Zhejiang, Guangdong, Jiangsu, Hebei, Jiangxi, Chongqing, Henan, Fujian, Beijing and Shanghai. In addition, the Company wholly owns a power company in Singapore.

1. Development trend of power market

According to the 2010 State Electricity Regulatory Commission (the "SERC") meeting, it is expected that, in 2010, the SERC will further reform power market and maintain the power market order through further reinforcing market supervision to protect the rights of various market participants. The Company believes that the continuous regulations and reform of the power market will improve the external environment for its healthy growth.

2. The trend of fuel supply

Coal supply shortage is expected to continue in 2010. Due to the integration of local coal resources and increase in the international energy price and shipping costs, the price of coal continued to increase since the second half of year 2009. As a result, the price of coal supply is expected to be more unstable and uncertain in 2010 and regional supply shortage may arise for the supply of certain types of coal.

3. The financial and foreign exchange market

The Company has ready access to capital markets within and outside PRC based on its strength and reputation.

In terms of domestic operations, although the People's Bank of China has recently raised the RMB deposit reserve requirement ratio, the PRC government is expected to continue implementing liberated monetary policies during 2010. Therefore, the interest rate of RMB is not likely to rise in the foreseeable future. The Company expects no material adverse impact on its operating results from foreign exchange movement in foreseeable future on the Company, because the Company's foreign currency liabilities are mostly denominated in US dollar and lesser in Euro and the conversion rate between RMB and US dollar is currently stable.

In terms of overseas operations, Tuas Power has completed its refinancing successfully and all the loans were now denominated in Singapore dollar. As this matched the functional currency of the overseas operations, no currency risk is expected.

D. PERFORMANCE OF SIGNIFICANT INVESTMENTS AND THEIR PROSPECTS

The Company acquired 25% equity interest in Shenzhen Energy Group Co., Ltd. ("Shenzhen Energy Group") for RMB2.39 billion on 22 April 2003, and acquired 200 million shares from Shenzhen Energy, a subsidiary of Shenzhen Energy Group, in December 2007. These investments brought a profit of RMB487 million for the Company for the year ended 31 December 2009 under IFRS. After Shenzhen Energy acquired most of its assets by way of designated share placement, Shenzhen Energy Group will be liquidated when appropriate. Upon Shenzhen Energy Group's liquidation, the Company will hold directly 25.01% equity interest in Shenzhen Energy. This investment is expected to provide steady returns to the Company.

The Company held directly 60% equity interest in Sichuan Hydropower as at 31 December 2006. In January 2007, Huaneng Group increased its capital investment in Sichuan Hydropower by RMB615 million, thus reducing the Company's equity interest in Sichuan Hydropower to 49% and making Huaneng Group the controlling shareholder of Sichuan Hydropower. This investment brought a profit of RMB208 million for the year ended 31 December 2009 under IFRS. This investment is expected to provide steady returns to the Company.

E. EMPLOYEE BENEFITS

As at 31 December 2009, the Company and its subsidiaries had 33,587 employees. The Company and its subsidiaries provided employees with competitive remuneration and linked such remuneration to operating results as working incentives for the employees. Currently, the Company and its subsidiaries do not have any non-cash remuneration packages.

Based on the development plans of the Company and its subsidiaries and the requirements of individual positions, together with consideration of specific characteristics of individual employees, the Company and its subsidiaries tailored various training programs for their employees on management skills, technical skills and marketing skills. These programs enhanced both the knowledge and operational skills of the employees.

F. GUARANTEE ON LOANS AND RESTRICTED ASSETS

As at 31 December 2009, the Company provided guarantee for SinoSing Power's long-term bank borrowings of approximately RMB14.942 billion.

As at 31 December 2009, the Company and its subsidiaries have pledged for the following borrowings:

1. The Company pledged certain accounts receivable for certain short-term loans borrowed in the second half of 2009. As at 31 December 2009, the balance of secured loans amounted to RMB698 million, and the pledged accounts receivable amounted to approximately RMB1.032 billion.

2. As at 31 December 2009, secured short-term loans of RMB142 million represented the discounted notes receivable with recourse.

As at 31 December 2009, restricted bank deposits amounted to RMB225 million, which were mainly deposits for letters of credits.

The Company had no significant contingent liabilities as at 31 December 2009.

G. ACCOUNTING STANDARDS WITH SIGNIFICANT IMPACT ON THE FINANCIAL STATEMENTS OF THE COMPANY

For the significant changes in accounting standards for the year ended 31 December 2009, see Note 2 to the Financial Statements prepared under IFRS.

H. RISK FACTORS

It is expected that, in 2010, the PRC government will focus on the quality and efficiency of the economic growth, accelerate the changes of development mode and economic structure and will concentrate its macro-economic policies on enhancing the vitality of the economic growth. In furtherance of the development and reform of the power industry, certain existing policies on power industry brought both growth opportunities and intensified challenges to the Company's development.

The Company will keep close watch on Chinese economy and related government policies, promptly analyze its impact on the profitability of the Company, make best efforts to minimize the risks to which the Company is exposed, and seize opportunities to accelerate growth.

1. Risks relating to power market

In 2010, the impact of global financial crisis remains over the global economy. Although Chinese economy started to recover in 2009, various uncertainties remain in the prospect of its economic growth. The power demand in domestic market has recovered significantly in 2009, the power supply has also increased primarily due to the increasing new generating units that commenced operations. In addition, as impacted by the energy-saving power generation and dispatch policies and "equitable, fair and open" power dispatch policies, the utilization hours of the similar generating units within the same region are generally the same. According to China Electricity Council's estimate, the average utilization hours of the generating units in 2010 will be equal to or less than that of 2009. Power tariff-setting policies may also affect the Company's operations. The Company will actively implement the coal-electricity price linkage mechanism to offset the operational risks arising from the increase in coal price. The Company will strive to enhance its risk management, strengthen the analysis of the market conditions and industry policy, implement effective measures to increase the utilization hours and improve its operating result.

2. Risks relating to coal supply market

Due to the significant increase in the production capacity of coal, the national supply and demand of coal is expected to reach equilibrium in 2010. However, due to the structural imbalance between the supply and demand, the volatility of coal price and limited transportation capacity, coal supply market is subject to uncertainty and instability, and temporary supply shortage may still exist in various regions. Under such circumstance, the Company will strive to ensure the stable coal supplies, oversee the performance of key contracts and streamline purchase structure. The Company has increased its purchase of coal supply under the key contracts for the year 2010. The Company will also continue to pursue coal resources within and outside PRC, make joint efforts with coal suppliers to develop coal-producing projects, and explore new avenues to acquire coal resources. Meanwhile, the Company will refine price control objectives and strive to control fuel costs by enhanced inspection and management of coal supplies and uses.

3. Risks relating to environmental protection requirements

In terms of energy saving and environmental protection, the PRC government imposed higher charges and standards on waste and pollutants emissions and discharges, which increased the difficulties for the Company's controls over production costs and capital expenditure. To strictly comply with the government's policies and regulations on environment protection, the Company will apply advanced technologies and higher management standards; develop advanced, highly capable and effective coal-fired generating units; improve renovating existing generating units; and phase out outdated capabilities; so as to effectively reduce pollutants emission and control costs on energy saving and environment protection.

4. Financial risks

In terms of interest rate risk, the debts denominated in RMB accounted for 90% of the Company's debts while the debts denominated in foreign currencies accounted for 10% of the Company's debts. 50% of the Company's debts denominated in foreign currencies are with floating interest rates. Hence, the changes of interest rates will directly affect on the Company's borrowing costs. The interest rates of both RMB and foreign currencies are at a lower level at present and are not expected to change significantly, thus unlikely to have adverse impact on the Company's debt costs in the foreseeable future. In terms of currency risk, the Company has certain US dollar and Euro-denominated loans outstanding. Hence, the fluctuations in foreign exchange rates will bring exchange gains or losses to the Company. Nevertheless, given that the foreign currency loans accounted for a relatively low weighting over the debt structure as a whole, the Company expects no significant impact from the recent change of exchange rates.

I. BUSINESS PLAN

In 2010, on the basis of ensuring safe, stable and increasing power generation, and the Company will (i) continue to seize market opportunities and pursue power market expansion, strive to increase utilization hours, and aim to generate approximately 230.0 billion kWh and reach average utilization hours of 5,100 hours for its coal-fired generating units; (ii) expand the channels of fuel supply, strengthen the management of fuel supply and reduce fuel costs; (iii) reduce operating cost and administrative expenses, strive to strengthen its profitability; (iv) continue its focus on energy saving and environment protection, strive to reduce energy consumptions of the generating units, to ensure sound results of major economic indicators; (v) improve management for those projects under construction, strive to increase the number of new generation units that commence commercial operation, accelerate project development, so as to improve the Company's ability for sustained growth; (vi) speed up the construction of large coal-fire power plants and co-generation projects, as well as the development of coal-fire integration projects in compliance with the prevailing energy policies of the PRC government; and (vii) optimize its generating capacity structure to ensure sustainable development by increasing its investments in the development of wind power, hydropower, solar power and other clean energy projects, as well as the clean development mechanism projects, with the view to increase the proportion of renewable and new energies in its power generating capacity.

Corporate Governance Report

The Company has been consistently stressing the importance of corporate governance through promoting innovation on the Company's system management and strengthening the establishment of the Company's system. It strives to enhance the transparency of the Company's corporate governance standards and to maintain high quality corporate governance on an ongoing basis. The Company insists on adopting the principle of "maximizing the benefits of the Company and all shareholders" as the starting point and treats all shareholders fairly in order to strive for the generation of long-term, stable and growing returns for shareholders.

The Company has complied with the provisions of the Code of Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in this accounting year.

(a) CODE OF CORPORATE GOVERNANCE PRACTICES

The Company adopted the following measures in order to strengthen corporate governance and enhance the Company's operation quality:

(1) Enhancing and improving corporate governance

Apart from complying with the provisions of the applicable laws, as a public company listed in three markets both domestically and internationally, the Company is subject to the regulations of the securities regulatory authorities of the three listing places and the supervision of investors at-large. Accordingly, our fundamental principles are adopting a corporate governance structure that balances and coordinates the decision-making powers, supervisory powers and operating powers, acting with honesty and integrity, complying with the law and operating in accordance with the law.

Over the past years, the Company has formulated and implemented the Rules and Procedures of the Board of Directors Meetings; the Rules and Procedures of the Supervisory Committee Meetings; the Detailed Rules on the Work of the General Manager; the Detailed Rules on the Work of the Strategy Committee of the Board of Directors; the Detailed Rules on the Work of the Audit Committee of the Board of Directors; the Detailed Rules on the Work of the Nomination Committee of the Board of Directors; the Detailed Rules on the Work of the Remuneration and Appraisal Committee of the Board of Directors; and the System on Work of Independent Directors, the System on Work of Independent Directors on the annual report and the Working Guidelines on Annual Report for the Audit Committee. The Board has proposed certain amendments to the Articles of Association according to the applicable laws and the needs of the Company.

(2) Enhancing and improving the information disclosure system

The Company has been stressing the importance of external information disclosure. The Company has established the Information Disclosure Committee which comprises managers of various departments and headed by the Vice President and the Chief Accountant, and is responsible for examining the Company's regular reports. The Company has implemented the system of holding regular information disclosure meetings every Monday, chaired by the Vice President and the Chief Accountant who will report on the Company's important matters of the week, thereby warranting the Company's performance of the relevant information disclosure obligations. The Company has successively formulated and implemented the relevant information disclosure system, and has made timely amendments thereto according to regulatory requirements. The current systems which have been implemented include the Measures on Information Disclosure Management, the Measures on Investor Relations Management, the Detailed Rules on the Work of the Information Disclosure Committee, the Measures on the Management of Securities Trading Activities Conducted by Insiders of the Trading, the Measures on Work Management of Securities Finance and

Capital Operation, Rules of Procedures for the Shareholders' Meetings and the Rules on the Management of the shares held by the directors, supervisors and senior management of Huaneng Power International, Inc. and other regulations. Relevant departments of the Company compiled answers (and subsequent updates) to questions regarding the hot topics of market concerns, the Company's production, operation and operating results in a timely manner, which shall become the basis of external communication of the Company after being approved by the Company's management and the authorized representatives of the Information Disclosure Committee. Also, the Company engages professional personnel to conduct specialised training for the staff of the Company responsible for information disclosure on an irregular basis in order to continuously enhance their level of professionalism.

(3) Regulating financial management system, strengthening internal control

The credibility of a listed company, to a large extent, relates to the quality of the preparation of financial statements and a regulated operation of financial activities. In order to regulate its financial management, the Company has completed a large amount of specific and detailed work, including:

1. In order to strictly implement the accounting rules, accounting standards and accounting systems, to strengthen accounting and accounts supervision, and to truthfully and fairly reflect the financial position, operating results and cash flow, the Company has compiled the Measures on Accounting, the Provisions on Construction Accounting, the Guidelines on Construction Accounting, the Provisions on Fixed Assets Management, Lists of Fixed Assets and the Provisions on Cost Management. The Company's Board, Supervisory Committee and the Audit Committee have examined the Company's financial reports on a regular basis and the Company has fulfilled the requirements of making the Chairman, the President and the Chief Accountant responsible for the authenticity and completeness of the financial reports.

2. In order to safeguard the independence of the listed company, the Company realized the separation of personnel in organizational structure and specifically established the relevant institution responsible for the entrusted business so that the Company may realize the complete separation of the listed company and the controlling shareholder in terms of personnel, assets and finances according to the laws and regulations of the State and the requirements of regulatory rules.

3. In 2003, the Company initiated an all-rounded plan to enhance the internal management, in order to establish a sound internal control system for the Company, to achieve an efficient operating effect for ensuring the reliability of financial reports, and to effectively enhance the capability of risk prevention. For the past seven years, the Company had established an internal control strategic plan and highlighted the targets for internal control. Through the implementation of internal control cork in full force, the continuing improvement in the Company's development power, competitive edge and risk resistance power, the Company has visualized the strategic targets, established a system for internal control and reinforced the work required for internal control systems for the Company, subsidiaries and the power plants. Based on the COSO control framework, the Company had established an internal control procedure that was consistent with the management feature of the Company, designed and promulgated the Internal Control Handbook which was identified as having the highest authority to govern the Company's internal management issues. The Company had kept on various routine self-assessments on internal management, thereby discovering control deficiencies and implementing rectification followed by an all-rounded propaganda and training on the philosophy and knowledge for internal control.

Based on a comprehensive assessment, the management believes that the improvement work to the Company's internal control and system is effective. These improvement measures had effectively enhance the efficiency regarding the internal control of the financial reports.

The Company was among the first batch of the US listed PRC enterprises which had satisfied the requirement on internal control in the financial reports under section 404 of the Sarbanes-Oxley Act. So far, the external auditors had issued the auditor's report on the Company's internal control for four successive years without any qualification opinion, the Company has been implementing the internal control work standardisation for establishing a long-term internal control system.

4. In regard to fund management, the Company has successfully formulated a number of management measures including the Measures on Financial Management, the Interim Measures on the Management of Funds Receipts and Expenses and the relevant examination measures, the Measures on Management of Fund Raising and the Measures on the Management of Bills of Exchange. The Company's Articles of Association also set out provisions relating to loans, guarantees and investment. In the annual reports of the Company over the previous years, the Company has engaged registered accountants to conduct auditing on the use of funds by the controlling shareholders and other related parties and issue individual statements according to the requirements of the China Securities Regulatory Commission ("CSRC") and the Shanghai Stock Exchange, and there has not been any violation of rules relating to the use of funds. Moreover, the Company also conducted quarterly checking and clearing with related parties in relation to the operational fund transfers in order to ensure the safety of funds. At the same time, the Company has reported the fund use position each quarter to the Beijing Securities Regulatory Bureau of CSRC and urged itself to comply with the relevant provisions at any time.

The above systems and measures have formed a sound management framework for our production and operation. The timely formulation and strict implementation of the above regulations ensures the on-going standardization of operations of the Company and gradual enhancement of corporate management quality. The Company has won many awards including the Gold Award for Board Secretary of Corporate Governance and Social Responsibility, by Shanghai Securities News, Platts Energy, Shanghai Stock Exchange and IR Magazine respectively, Platts Top 250 Global Energy Companies Award 2009 and the Award for Information Disclosure 2009, the Most Progress in Investor Relations Award etc., building a good overall image for the Company in domestic and overseas capital markets.

(b) SECURITIES TRANSACTIONS BY DIRECTORS

As the Company is listed in three jurisdictions, the Company has strictly complied with the relevant binding clauses on securities transactions by directors imposed by the regulatory authorities of the US, Hong Kong and China and we insist on the principle of complying with the strictest clause, which is, implementing the strictest clause among three places. We have adopted a set of standards not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the model code for securities dealings by directors of the Company, namely, Management Rules regarding the Company's Securities Information and Trading. The Company has also formulated and implemented the Management Rules in respect of the Shares of the Company Held by the Directors, Supervisors and Senior Management of Huaneng Power International, Inc. The model codes for the trading of securities by the Company's directors include: trading the Company's shares strictly in accordance with the stipulations under the Companies Law and relevant regulations, prohibiting those who are in possession of securities transaction insider information using insider information in securities trading; and setting out detailed rules for those who are in possession of insider information. Following a specific enquiry on all the directors and senior management of the Company, all the directors and senior management currently do not hold any shares in the Company and there is no material contract in which the directors and senior management directly or indirectly have material interests.

(c) BOARD OF DIRECTORS

The Company's Board of Directors comprised 15 members, Mr. Cao Peixi as the Chairman, and Mr. Huang Long as the Vice Chairman of the Board; the Executive Directors of the Company are Mr. Cao Peixi (Chairman), Mr. Liu Guoyue (President) and Mr. Fan Xiaxia (Vice President); other Non-executive Directors are: Mr. Huang Long, Mr. Wu Dawei, Mr. Huang Jian, Mr. Shan Qunying, Mr. Xu Zujian, Ms. Huang Mingyuan and Mr. Liu Shuyuan. The Company has five Independent Non-executive Directors comprising one-third of the members of the Company's Board of Directors, namely, Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng.

The Board of Directors of the Company has held six meetings during this reporting period including regular meetings and ad hoc meetings (such as communication voting). For the details, please see the announcement.

Details of the attendance of directors at the board meetings are as follows:

Name	Number of meetings to be attended	Number of meetings attended in person	Number of Meetings Attended by proxy	Attendance rate (%)
Executive Directors				
Cao Peixi	6	4	2	66.67% (Attendance by proxy rate: 33.33%)
Liu Guoyue	6	6	0	100%
Fan Xiaxia	6	3	3	50% (Attendance by proxy rate: 50%)
Non-executive Directors				
Huang Long	6	5	1	83.33% (Attendance by proxy rate: 16.67%)
Wu Dawei	6	4	2	66.67% (Attendance by proxy rate: 33.33%)
Huang Jian	6	5	1	83.33% (Attendance by proxy rate: 16.67%)
Shan Qunying	6	4	2	66.67% (Attendance by proxy rate: 33.33%)
Xu Zujian	6	3	3	50% (Attendance by proxy rate: 50%)
Huang Mingyuan	6	6	0	100%
Liu Shuyuan	6	4	2	66.67% (Attendance by proxy rate: 33.33%)
Independent Non-executive Directors				
Liu Jipeng	6	5	1	83.33% (Attendance by proxy rate: 16.67%)
Yu Ning	6	5	1	83.33% (Attendance by proxy rate: 16.67%)

Shao Shiwei	6	5	1	83.33% (Attendance by proxy rate: 16.67%)
Zheng Jianchao	6	2	4	33.33% (Attendance by proxy rate: 66.67%)
Wu Liansheng	6	6	0	100%

As stated in each Corporate Governance Report, the Company's Articles of Association set out in detail the duties and operational procedures of the Board (please refer to the Company's Articles of Association for details). The Board of the Company holds regular meetings to hear the report on the Company's operating results and makes timely decision. Material decisions on operation shall be discussed and approved by the Board. Ad hoc meetings may be held if necessary. Board meetings include regular meetings and ad hoc meetings. Regular meetings of the Board include: annual meetings, half-yearly meetings, first quarterly and third quarterly meetings.

All arrangements for regular meetings have been notified to all directors at least 14 days in advance and the Company has ensured that each director thoroughly understood the agenda of the meeting and fully expressed his/her opinions, while all Independent Non-executive Directors expressed their independent directors' opinions on their respective duties. Minutes have been taken for all the meetings and filed at the Office of the Board of Directors of the Company.

Moreover, the Independent Directors of the Company have submitted their annual confirmation letters of 2009 in relation to their independence according to the requirements of the Listing Rules.

Apart from regular and ad hoc meetings, the Board obtained adequate information through the Chairman Office in a timely manner in order to monitor the objectives and strategies of the management, the Company's financial position and operating results and clauses of material agreements.

During the period when the Board was not in session, the Chairman, together with the Vice Chairman, discharged part of the duties of the Board of Directors, including:

(1) to examine and approve the establishment or cancellation of proposals to develop construction projects;

(2) to examine and approve the approved proposals of the President in relation to the appointment, removal and transfer of managers of various departments of the Company and managers of external branches;

(3) to examine and approve plans on the use of significant funds;

(4) to examine and approve proposals on the establishment or cancellation of branch or branch organs;

(5) to study issues regarding the power market and power generation, sales and marketing;

(6) to examine and approve other major issues.

The management of the Company shall be in charge of the production and operational management of the Company according to the Articles of Association. It shall implement annual operation plans and investment proposals and formulate the Company's management rules.

The Chairman of the Company shall sign the management authorization letter with the President of the Company, and confirm the respective authorities and duties of the Board and senior management. The Company's senior management reports on the actual implementation of various authorizations each year.

(d) CHAIRMAN AND PRESIDENT

The Company shall have a Chairman and a President who shall perform their duties respectively according to the Articles of Association. During the reporting period, Mr. Cao Peixi acts as Chairman of the Board and Mr. Liu Guoyue acts as President of the Company.

The division of duties of the Board and the senior management is the same as what has been disclosed in the Corporate Governance Report of 2008.

(e) NON-EXECUTIVE DIRECTORS

According to the provisions of the Articles of Association, the term of office of members of the Board of the Company shall not exceed three years (including three years) and the members are eligible for re-election. However, the term of office of Independent Non-executive Directors shall not exceed six years (including six years) according to the relevant provisions of the China Securities Regulatory Commission.

The respective terms of office of the Non-executive Directors are as follows:

Names of Non-executive Directors	Term of office
Huang Long	13 May 2008-May 2011
Wu Dawei	13 May 2008-May 2011
Huang Jian	27 August 2008-May 2011
Shan Qunying	13 May 2008-May 2011
Xu Zujian	13 May 2008-May 2011
Huang Mingyuan	13 May 2008-May 2011
Liu Shuyuan	13 May 2008-May 2011

(f) DIRECTORS' REMUNERATION

According to the relevant laws of the PRC and the relevant provisions of the Articles of Association, the Board of the Company has established the Remuneration and Appraisal Committee mainly responsible for studying the appraisal standards of the directors and senior management personnel of the Company, conducting appraisals and making proposals; responsible for studying and examining the remuneration policies and proposals of the directors and senior management personnel of the Company and to be accountable to the Board. As the executive directors of the Company are also the senior management of the Company, their performance appraisals were reflected in the appraisal of the senior management by the Board of Directors. During the reporting period, Mr. Liu Guoyue, Mr. Fan Xiaxia received salary from the Company as executive directors. Their salaries were recorded in the annual total remuneration and determined in accordance with the Company's internal pay scale. The total remuneration, after examined by the Remuneration and Appraisal Committee, was then submitted to the Board of Directors. The Executive Directors have entered into the director service contracts in compliance with the requirements of the Stock Exchange using the template set out by the Stock Exchange.

The Sixth Session of the members of the Remuneration and Appraisal Committee comprised seven directors. Members of the Remuneration and Appraisal Committee were Mr. Liu Jipeng, Mr. Liu Guoyue, Mr. Xu Zujian, Mr. Liu Shuyuan, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng, of whom Mr. Liu Jipeng, Mr. Shao

Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng were Independent Non-executive Directors. Mr. Liu Jipeng acted as Chief Member of the Remuneration and Appraisal Committee.

The operation of the Remuneration and Appraisal Committee under the Board of Directors did properly follow the Detailed Rules on the Work of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee of the Sixth Session of the Board of Directors convened a meeting on 30 March 2009, at which the Report of Total Wage Expenses was reviewed and the Company's arrangement for the total wage in 2009. In the new financial year, the Remuneration and Appraisal Committee will carry out its work in a timely manner pursuant to the above rules on work according to the actual situation.

During this financial year, the attendance of meetings of the Remuneration and Appraisal Committee of the Company's Board was as follows:

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Remuneration and Appraisal Committee of the Sixth Session of the Board of Directors in 2009	30 March 2009	Liu Jipeng, Liu Guoyue, Shao Shiwei, Wu Liansheng	Xu Zujian, Liu Shuyuan, Zheng Jianchao

(g) NOMINATION OF DIRECTORS

According to the relevant laws of the PRC and the relevant provisions of the Articles of Association, the Board of the Company has established the Nomination Committee. The Committee is mainly responsible for studying the selection standards and procedures for candidates for directors and senior management personnel of the Company according to the directors' qualifications under the Companies Law and Securities Law and the needs of the operational management of the Company, and making proposals thereon to the Board; searching for qualified candidates for directors and suitable persons for senior management personnel on a wide basis; and examining the candidates for directors and suitable persons for senior management personnel and making proposals thereon. Currently, the nomination of the candidates of directors of the Company is made by the shareholders. The nominations, after examination of the relevant qualification by the Nomination Committee, will be submitted to the Board of Directors. The President of the Company was appointed by the Board and the candidates for the Vice President and management were nominated by the President. Such nominations, after examination of the relevant qualification by the Nomination Committee, will be submitted to the Board of Directors.

Members of the Nomination Committee of the Sixth Session of the Board were Mr. Shao Shiwei, Mr. Fan Xiaxia, Mr. Shan Qunying, Ms. Huang Mingyuan, Mr. Liu Jipeng, Mr. Yu Ning and Mr. Wu Liansheng, of whom Mr. Shao Shiwei, Mr. Liu Jipeng, Mr. Yu Ning and Mr. Wu Liansheng were Independent Non-executive Directors. Mr. Shao Shiwei acted as the Chief Member of the Nomination Committee.

The operation of the Nomination Committee under the Board of Directors did follow the Detailed Rules on the Work of the Nomination Committee of the Company. On 21 December 2009, the Nomination Committee of the sixth session of the Board of Directors of the Company reviewed relevant information in written form about the candidates for senior management, Mr. Du Daming and Mr. Gao Shulin, and submitted to the Board of Directors the Report on the Review of Qualifications of Candidates for Vice President and Chief Economist of the Company for consideration. In the new financial year, the Nomination Committee will carry out its work in a timely manner pursuant to the above detailed rules on work according to the actual situation.

During the financial year, the attendance of meetings of the Nomination Committee of the Company's Board of Directors was as follows:

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
Communication Meeting of the Nomination Committee of the Sixth Session of the Board of Directors in 2009	21 December 2009	Shao Shiwei, Fan Xiaxia Shan Qunying, Huang Mingyuan, Liu Jipeng, Yu Ning, Wu Liansheng	Nil

(h) REMUNERATION OF AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for 2009. For the twelve months ended 31 December 2009, the total auditors' remuneration amounted to RMB21.83 million.

(i) AUDIT COMMITTEE

According to the requirements of the regulatory authorities of the jurisdictions where the Company is listed and the relevant provisions of the Articles of Association, the Board of Directors of the Company has established the Audit Committee which is mainly responsible for assisting the Board of Directors in supervising:

(1) the authenticity of the financial statements of the Company,

(2) the compliance of the Company with laws and regulatory requirements,

(3) the qualification and independence of the independent auditors of the Company, and

(4) the performance of the independent auditors and the internal audit department of the Company.

Members of the Audit Committee of the Sixth Session of the Board of Directors comprised five directors, namely Mr. Wu Liansheng, Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei and Mr. Zheng Jianchao. All the above members are Independent Non-executive Directors. Mr. Wu Liansheng acted as the Chief Member of the Audit Committee.

During the reporting period, the Audit Committee has held five meetings. As per Audit Committee's duties, the Audit Committee interviewed with the Company's counsels, external auditors, management and the relevant departments separately and exchange ideas and communicated with them. With the understandings on the applicable laws and regulations of those jurisdictions in which the shares of the Company are listed, anti-fraud position in the Company, recruitment of staff, implementation and execution of internal control mechanism and audit work carried out by external auditors, the external auditors has rendered their views and opinion and made certain proposals. The meetings discussed and examined the audit working report of the Audit Department in 2008, the working plan and budget for auditing in 2009, the 2008 financial statements, the 2009 budget report, the 2008 profit distribution proposal, the proposal on appointment of external auditors, the financial report for the first quarter, the interim and the third quarter of 2009 respectively. The Audit Committee submitted to the Board of Directors a work report for the past year and examination reports done in the meetings.

During this financial year, the attendance of meetings of members of the Audit Committee was as follows:

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Sixth Session the Audit Committee in 2009	6 February 2009	Yu Ning, Shao Shiwei, Wu Liansheng	Liu Jipeng, Zheng Jianchao
Second meeting of the Sixth Session of the Audit Committee in 2009	30 March 2009	Liu Jipeng, Yu Ning, Shao Shiwei, Wu Liansheng	Zheng Jianchao
Third meeting of the Sixth Session of the Audit Committee in 2009	20 April 2009	Liu Jipeng, Yu Ning, Shao Shiwei, Wu Liansheng	Zheng Jianchao
Fourth meeting of the Sixth Session of the Audit Committee in 2009	10 August 2009	Yu Ning, Shao Shiwei, Wu Liansheng	Liu Jipeng, Zheng Jianchao
Fifth meeting of the Sixth Session of the Audit Committee in 2009	19 October 2009	Liu Jipeng, Yu Ning, Wu Liansheng	Shao Shiwei, Zheng Jianchao

(j) RESPONSIBILITY ASSUMED BY THE DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Directors of the Company confirm that they shall assume the relevant responsibility in relation to the preparation of the financial statements of the Company, ensure that the preparation of the financial statements of the Company complies with the relevant regulations and applicable accounting standards and also warrant that the financial statements of the Company will be published in a timely manner.

The reporting responsibility statements made by the auditors of the Company in relation to the financial statements of the Company are set out in auditor's reports on page 105 to page 106 and page 212 to page 213.

(k) SENIOR MANAGEMENT'S INTEREST IN SHARES

None of the senior management of the Company holds any shares of the Company.

(l) STRATEGY COMMITTEE

According to the requirements of regulatory authorities where the Company is listed and the requirements of the Company's Articles of Association, the Board of Directors of the Company set up the Strategy Committee. The main responsibilities of the Strategy Committee are:

(1) to study and make suggestions on the Company's long-term development strategies and plans;

(2) to study and make suggestions on material investment and financing proposals which require the approval of the Board of Directors;

(3) to study and make suggestions on material production and operational projects which require the approval of the Board of Directors;

(4) to study and make suggestions on other material matters affecting the Company's development;

(5) to monitor the implementation of the above matters;

(6) other matters required by the Board of Directors.

The Sixth Session of the members of the Strategy Committee of the Board of Directors comprised seven directors, namely Mr. Huang Long, Mr. Wu Dawei, Mr. Huang Jian, Mr. Liu Guoyue, Mr. Fan Xiaxia, Mr. Shao Shiwei and Mr. Zheng Jianchao, of whom Mr. Shao Shiwei and Mr. Zheng Jianchao were Independent Non-executive Directors. Mr. Huang Long acted as the Chief Member of the Strategy Committee.

On 20 May 2009, the Strategy Committee considered and approved the Report on Classification, Prevention and Control Measures on Risk of Huaneng Power International, Inc. in 2009 which was approved after the examination by the Audit Committee of the Board of the Company on 10 August 2009.

On 23 November 2009, the Strategy Committee considered and approved the Risk Analysis Report of Huaneng Power International, Inc. for the first half of 2009.

Currently, the risk management work operates effectively, thus continuously strengthening and improving the internal control and risk management mechanism of the Company.

Social Responsibility Report

The Board of Directors of the Company together with all the directors thereof guarantee that this Report does not contain any false statements, misleading representations or material omissions and jointly and severally accept responsibility as to the truthfulness, accuracy and completeness of the content of this Report.

This Report systematically summarizes the work of Huaneng Power International, Inc. (hereinafter referred to as the "Company") in 2009 in enhancing its economic performance, environmental performance, social performance and so on, with a view to giving a true presentation of the Company's fulfillment of social responsibilities in 2009, so as to promote comprehensive and healthy development of the Company.

This Report has been prepared in accordance with the Guidelines on Preparation of "Corporate Report on Performance of Social Responsibilities" issued by the Shanghai Stock Exchange, and with reference to the G3 Sustainable Development Reporting Guidelines issued by Global Reporting Initiative (GRI) and in conjunction with the actual performance by the Company. This Report is the Company's social responsibility report published to the general public and the data and contents contained herein are on the basis of the Company's domestic business.

I. CORPORATE OVERVIEW AND CORPORATE GOVERNANCE

1. Corporate Overview

Established on 30 June 1994, the Company is principally engaged in the development, construction and operation of large power plants across the PRC with modern technology and equipment as well as domestic and overseas capital. In October 1994, the Company completed its global initial public offering of 1.25 billion overseas listed foreign invested shares ("foreign shares") and listing of 31.25 million American Depositary Shares ("ADS") on the New York Stock Exchange in the United States (ticker symbol: HNP). The Company's foreign shares were listed on The Stock Exchange of Hong Kong Limited (the "SEHK") by way of introduction (stock code: 902) in January 1998 and subsequently in March successfully completed its global placement of 250 million foreign shares and its private placement of 400 million domestic shares. The Company successfully issued 350 million A shares on the Shanghai Stock Exchange in November 2001, of which 250 million are public shares. At present, the Company has a total of approximately 12.06 billion shares in issue.

As at 31 December 2009, the Company's controlling generation capacity and the equity-based generation capacity amounted to 48,548MW and 45,340MW respectively. With wide coverage of power plants in 17 provinces, municipalities and autonomous regions in the PRC, the Company is currently one of the country's largest listed power producers. In addition, the Company has a wholly-owned power company in Singapore.

Since its establishment, the Company, as a power generation enterprise, has been committed to technology, system and management innovations. It has achieved various No.1s among the PRC industry players and completed various milestone projects in the areas such as power technology advancement, power plant construction and management approach, which significantly facilitated the great-leap-forward development of the power business and technological advancement of the power station equipment manufacturing industry in the PRC, and also significantly contributed to the improvement of management standards of the PRC power generation enterprises. In 2000, the Company was awarded the title of "First Class Power Company in China" by State Power Corporation.

2. Corporate Governance

The Company has been consistently stressing the importance of corporate governance. It has established and continuously enhanced its corporate governance structure, which comprises the general meetings, the Board of

Directors, the Supervisory Committee and the president. It has established an operating mechanism which allows the owners, the corporate legal persons and the operators to perform their respective responsibilities, implement checks and balances and coordinate with one another, so that the decision-making power of the Board of Directors over important matters and the supervision power of the Supervisory Committee can be effectively exercised. The Company has actively promoted system and management innovations and strengthened its system development. It has established a preliminary three-level management system to refine its corporate management and to maintain high-quality corporate governance on an ongoing basis. The Company is dedicated to treating all shareholders fairly to strive for the generation of long-term, stable and growing returns for shareholders.

The Company stresses on the importance of information disclosure. The Company has established the Information Disclosure Committee which comprises the Vice President, the Chief Accountant and managers of all departments, and is responsible for examining the Company's regular reports. The Company has implemented the system of holding weekly information disclosure meetings chaired by the Vice President and the Chief Accountant who will report on the Company's important matters of the week, thereby warranting the Company's performance of the relevant information disclosure obligations. In 2009, the Company held 18 overseas press conferences and published 88 announcements within and outside the PRC to reinforce effective communications with the investors.

II. SAFETY PERFORMANCE OF THE COMPANY

The Company has adhered to the philosophy of "people-oriented and safety development" and the work style characterized by high standards, stringent requirements, refined management and probable materialization, fully implemented the production safety accountability system at all levels, vigorously promoted the development of the intrinsically safe system, focused on on-site safety management, strictly controlled the "four gates" of management issues, strongly rolled out key missions such as specific rectification of violation of regulations, potential risk identification and rectification, year of production safety, year of infrastructure safety and quality and "three action projects" in relation to production safety, strengthened incident analysis, assessment and responsibility investigation, announced potential risks in a timely manner, reinforced comprehensive control and operational management of equipment, and enhanced the Company's ability to safeguard protection safety.

The Company has made initial achievements in developing intrinsically safe enterprises. The pilot schemes in respect of the development of Nantong Power Plant and Beijing Co-generation Power Plant as intrinsically safe enterprises have passed the relevant inspection and acceptance. Such success has enhanced the staff's safety awareness and behavior standards, improved the operational conditions of equipment and the working environment, and diversified safety management measures and methods.

In 2009, the Company did not incur any fatal accidents in production, serious equipment accidents or above, fire accidents, extraordinarily serious traffic accidents, environmental pollution accidents, or accidents which interrupted the safe operation of the power grids. The Company has maintained the overall stability of production safety and ensured the safe and stable power generation during the significant periods such as the National People's Congress and the Chinese People's Political Consultative Conference, summer peaks and the celebration of the 60th anniversary of the PRC. The average unplanned outage times of the Company's generating units were 0.43 times/unit annum, representing a decrease of 0.35 times/unit annum as compared to 2008. The ten power plants of Dalian, Changxing, Weihai, Yushe, Jinling (gas-fired), Dandong, Yuhuan, Qinbei, Yueyang and Shantou did not incur any unplanned outages throughout the year.

III. ECONOMIC PERFORMANCE OF THE COMPANY

The Company has identified "Revenue increase and cost reduction, and turnaround from recording losses to profits" as its business objectives, strengthened organization and leadership, solved three new market problems associated with power, fuels and capital in a timely manner, enhanced the efforts of internal management and the development of external working environment. The Company's endeavours to reduce and control losses have demonstrated significant success, contributing to considerable improvement in its operating results.

With budgets as its guideline and assessment as its approach, the Company actively carried out performance management, and established and implemented the Implementation Procedures of Performance Management; further explored potentials and increased efficiency, launched costs and expenses review activities, effectively enhanced control over costs and expenses through review and optimization of the expense structure; prepared monthly budgets and conducted monthly assessments for timely analysis and dynamic adjustment; continuously optimized and improved production and operation analyses, strengthened comprehensive benchmarking management and made continuous improvement, which significantly reduced costs, increased efficiency, saved resources, explored potentials and turned losses into profits.

The Company strengthened the interaction among coal supply, production scheduling and marketing strategies, reinforced and improved the "two assurances and one control" management and control system in fuel management, i.e. assuring higher fulfillment rate of key contracts, assuring steady improvement of the quality of incoming thermal coal input and controlling the purchase price of coal to the full extent, emphasized the two key factors of demand and structure, dynamically optimized coal structure and dynamically reversed power generation costs. The Company timely adjusted its marketing strategies, strengthened its guidance and coordination for key regions, key power plants and key stages, and strived to enhance its power generation efficiency. During the year, the total power generation of the Company's domestic power plants amounted to 203.520 billion kWh, representing an increase of 10.23% as compared to the corresponding period of the previous year. The Company spared no efforts in tariff adjustment and implementation, and achieved more desirable results when compared with the tariff adjustments made by other industry players in the country. All of the Company's tariff adjustments were put into practice.

By taking advantage of the favorable opportunities arising from the improvement of the external financing conditions, while satisfying the funding requirements of production and operation, infrastructure projects and capital operation, the Company further enhanced its capital management efficiency and obtained the prime rate for all of its bank loans; by broadening its financing channels and creating new financing products, the Company raised an aggregate fund of RMB33.8 billion (including short-term debentures of RMB10 billion, mid-term notes of RMB4 billion, insurance claims funds of RMB2 billion and trust loans of RMB17.8 billion) at low costs, which effectively reduced the Company's financing costs and saved an interest expense of nearly RMB700 million. At the end of 2009, the Company had an average financing cost of approximately 4.2% for all of its borrowings, representing a decrease of 25% compared with the benchmark interest rate of the portfolio with the same term, which remained at the forefront in the industry. By actively studying interest rate movements, keeping abreast of market conditions and seizing the timing of implementation, the Company completed an interest rate swap transaction of US$400 million and a forward exchange transaction of US$490 million, allowing it to effectively fix its capital cost, reasonably avoid interest rate and exchange rate risks, and achieve remarkable economic benefits.

IV. ENVIRONMENTAL PERFORMANCE OF THE COMPANY

1. Energy saving and environmental protection objectives

During its development, the Company has strictly complied with the country's environmental regulations, actively fulfilled its environmental responsibilities, optimized its power structure, promoted technological innovations, enhanced resources utilization efficiency, and actively established energy saving and environmental friendly coal-fired power plants. In 2009, the Company achieved all of its energy saving and environmental protection objectives, constructed 4 energy saving and environmental friendly coal-fired power plants, maintained its primary technical and economic indicators at the forefront both at domestic and international levels; the Company accomplished the annual objectives specified in the Letter of Three Energy Saving and Environmental Protection Responsibilities .

2. Energy saving and environmental protection measures

(1) The Company established an energy saving and emissions reduction steering group headed by the President. The group held meetings regularly and was responsible for the overall coordination and promotion of energy saving and environmental protection. The Company continuously enhanced the relevant energy saving and emissions reduction system and operating mechanism, modified the energy saving and environmental protection planning, revised the Assessment Measures of Energy Saving and Emissions Reduction (Tentative) , aim leading position of its economic and technical indicators, effectively carried out "Year of Energy Saving and Emissions Reduction Indicators Improvement" activities, improved the overall benchmarking of energy consumption indicators, strengthened the analysis and improvement of indicators, optimized the operation of machinery, and explored new modes of maintenance management, with the view of enabling continuous and steady progress of its energy saving and environmental protection efforts.

(2) The Company actively utilized advanced generating units with large capacity, high parameters and low emissions. Having took the lead in manufacturing and putting into operation domestically-made 1,000MW and 600MW ultra-supercritical units and 600MW supercritical direct air-cooling desulphurization coal-fired units, the Company again manufactured and put into operation in 2009 the first 1,000MW seawater desulphurization unit which has commenced operation in the world — Unit No. 1 of Huaneng Haimen Power Plant, as well as Unit No. 3 of Jinling Power Plant (Coal-fired), the first digital 1,000MW coal-fired unit which fully adopts fieldbus control system in the PRC. As at the end of 2009, 600MW above units accounted for 44.06% of the Company's total domestic installed capacity, and the Company owned 7 1,000MW ultra-supercritical coal-fired units, accounting for 33% of the total number of the country's 1,000MW ultra-supercritical coal-fired units .

(3) The Company thoroughly implemented the "Several Opinions Regarding Acceleration of Closing Down of Small Coal-fired Power Generating Units" issued by the State Council, seriously implemented the arrangement of "replacing small units with larger units" in the power industry nation-wide proposed by the energy saving and emissions reduction work conference, took further actions to phase out obsolete production capacity, and reduced resource consumption and pollutant emissions. In 2009, the Company closed down small units of 780MW. As at the end of 2009, the Company had accumulatively closed down (dismantled) small units of 1,676.75MW, including the closing down of unit capacity of 578.15MW as required in the Letter of Responsibility for Closing Down Small Coal-fired Power Generating Units for the 11th Five-Year Plan signed with the PRC Government, representing a 100% performance rate. As at the end of 2009, the Company's 200MW below coal-fired generating units had a installed capacity of 1,135MW, accounting for 2.34% of the Company's total domestic thermal power generation capacity.

(4) In 2009, the Company invested a technological transformation fund of RMB439 million in desulfurization transformation. As at the end of 2009, all of the Company's coal-fired power generating units realized desulfurization operation.

The Company strengthened the operation and maintenance management of environmental protection equipment to ensure that the equipment runs stably and various pollutant emissions meet the relevant standards. In 2009, despite of the year-on-year increase in the power generation capacity of coal-fired units, the Company's sulfur dioxide emissions reduced by 70% as compared with the same period of the previous year.

(5) The Company actively applied new technologies and processes in the energy-saving transformation of the existing units, focused on the rectification of some energy-intensive units, and achieved remarkable results. For example, after the Boiler No. 1 of Shidongkou First Power Plant began to burn bituminous coal instead of meager coal, the boiler efficiency increased by 3 percentage points, representing a reduction of 10g/kWh in coal consumption for power supply.

(6) In 2009, the Company approved 77 technology projects. The planned amount for the projects of the year totalled RMB83.69 million and was mainly utilized in solving production problems, infrastructure application technology, forward-looking basic technology research and development, new energy technology and high and new

technology research, such as unit indicator optimization analysis, test and analysis of high-temperature materials, special coal burning technology, comprehensive utilization of desulfurization by-products and renewable energy resources and technology research. These technological advancements had made remarkable contributions to the implementation of the Company's energy saving and emissions reduction, the enhancement of the reliability of production equipment, the improvement in the optimization requirements of infrastructure project designs and the planning of the Company's long-term development.

3. Energy saving and environmental protection performance

In 2009, the Company achieved remarkable results in energy saving and environmental protection. It accomplished the annual objectives specified in the Letter of Three Energy Saving and Environmental Protection Responsibilities, without violating the environmental laws and regulations of the PRC.

In 2009, the Company consumed 89.07 million tons of raw coal and recorded an average coal consumption for power supply of 320.10g/kWh, representing a decrease of 5.84g/kWh as compared to the same period of the previous year.

In 2009, the coal-fired units of Company consumed 197.42 million tons of water, which was primarily derived from rivers, lakes, seas, groundwater, rainwater, and so on.

In 2009, the sulfur dioxide emissions of the Company reduced by 70% as compared with 2008. The performance values of sulfur dioxide and nitrogen oxides for the year were 0.79g/kWh and 1.71g/kWh respectively, representing a decrease of 2.08g/kWh and 0.2 g/kWh respectively as compared to the same period of the previous year.

V. SOCIAL PERFORMANCE OF THE COMPANY

1. Protection of staff benefits

(1) Staff Overview

With the belief that human resources are the forefront important assets, the Company actively implements the strategy of developing the enterprise by talents, focuses on the tri-tasks of attracting, nurturing and making good use of talents, accelerates the establishment of a team with high-level and highly skilled talents as the core members. As a result, a team of talents which is well-structured, professionally equipped, of excellent quality, devoted to careers in Huaneng and in line with the Company's developmental and strategic needs was formed.

As at the end of 2009, the Company had 33,587 employees, 59% of whom had tertiary qualifications and above. Intermediate and higher level professional technicians accounted for 50% of the total staffing with professional and technical qualifications.

Academic qualification structure of staff

Structure of professional technical staff

(2) Rights protection

The Company consistently implements a fair, just and open employment policy and endeavors to create a market-oriented employment mechanism. Leveraging on the implementation of the Employment Contract Law and the Regulation on the Implementation of the Employment Contract Law, the Company actively organizes courses on regulations such as the Employment Contract Law and the Regulation on the Implementation of the Employment Contract Law and legally signs employment contracts with all employees in order to further strengthen the management of employment contracts.

The Company focuses on the improvement of the Staff Representative Congress System and the Plant Affairs Publicity System, supports the staff's active participation in democratic management and guarantees the staff's full entitlement to the rights to be informed, participate, express and supervise. The Company improved the responsibility system for complaint handling and formulated the system and standards for staff's benefit claims.

All of the Company's affiliated enterprises have established trade unions in accordance with the Trade Union Law, and the staff's entry rate remained 100%. Trade unions at all levels seriously perform their duties, sign collective contracts with the enterprises on behalf of the staff, safeguard the staff's legal interests, encourage the staff to participate in management decision making, jointly accomplish the economic objectives of the enterprises, and assist in mediating disputes between the staff and the enterprises.

The Company attaches great importance to the staff's health and safety. All of its affiliated enterprises have established a protection mechanism for the staff's health and safety. The enterprises organize physical examinations for all staff annually and also special physical examinations for the staff who are exposed to the sources of occupational hazards.

(3) Incentives and protection

The Company further improved its remuneration allocation system, devised a series of remuneration management procedures in line with the overall strategies, standardized the pay system and criteria, and optimized the income allocation structure. Staff remuneration is determined in accordance with the principles of "determining salaries based on the position, receiving compensation based on performance, giving priority to efficiency and emphasizing fairness" and is linked to individual performance, establishing a scientific and effective incentive mechanism.

The Company actively promoted reform in corporate social security system, improved the basic retirement, medical and unemployment insurance systems, standardized the corporate annuity system, showed concern about the staff's production and living, actively organized "warmth and care delivery" activities, and provided support and help for staff in need.

2. Support for staff development

(1) Staff training

The Company emphasized training for all staff, took full advantage of Huaneng systematic training resources, strengthened the cooperation with external training organizations, developed multiple-level, multi-channel and multi-dimensional training, and strived to reinforce general competence of the staff. The major types of training include: orientation training, position training, skill training, continuing education and international cooperation training.

As at the end of 2009, the Company had 6 state-level talents, including 1 member of the "National Hundred, Thousand and Ten Thousand Talent Project" and 5 persons who enjoyed special government allowance. The Company had 9 national technical experts, 24 technical experts of central enterprises, and 11 technical experts of the power industry.

(2) Development opportunities

The Company emphasized the provision of growth opportunities to its staff so as to realize joint development of the staff and the enterprise. The Company accelerated the development of advanced organizations with "Quaternion

Excellence", established the exchange and training system for cadres, reinforced the training of substitute cadres, and rejuvenated the cadres. The Company established an employment mechanism of "position competition and talent selection", and organized multi-level skill competitions and achievement evaluation activities so as to provide high caliber talents with opportunities to stand out.

3. Social charity

In 2009, the Company actively fulfilled its social responsibility, proactively undertook the Huaneng's Transitional Power Project in Assisting to Rebuild Tibet, and created "Huaneng quality and Huaneng speed" on the snowy plateau. The Company donated a total of RMB6.308 million to support local social charity. In addition to the new village development projects approved in 2009, the new village development projects in Chongqing, to which Luohuang Power Plant donated RMB24 million, were completed in the same year.

In the future, the Company will continue to strive for the generation of long-term, stable and growing returns for shareholders; strive for the provision of adequate, reliable, environmental friendly power for the society; strive for capturing the leading position at both domestic and international levels, as well as developing itself as a first-class listed power producer with low resource consumption, low pollutant emissions, desirable economic benefits and great overall strength.

23 March 2010

Investor Relations Report

o PHILOSOPHY OF INVESTOR RELATIONS

Huaneng International always highly values the management of investor relations since its listing. The Company communicates with all investors in a wholehearted, equal and respectful manner through timely and diversified two-way channels, enhancing the management of investor relations of the Company. In addition, the Company also values the two-way interactive communication of “disclosure” and “adoption”. “Disclosure” - the Company discloses information of the Company including financial position and operating performance to investors accurately, fairly and comprehensively, which helps investors understand and recognize the current situation and future development strategy of the Company. “Adoption” - the Company has in place multiple channels to collect opinions of investors to adopt suggestions and ideas related to the operating activities of the Company. Such two-way communication effectively improves the operation management ability of the Company and ultimately maximizes the interests of the Company as a whole and all shareholders.

o INVESTOR RELATIONS WORK SYSTEM

Establishing meticulous organization and enhancing system development

The Company has set up special-purpose information disclosure organizations (Information Disclosure Committee and Information Disclosure Work Group) and holds routine information disclosure meetings every Monday, making clear the work flow for information disclosure of the Company and guaranteeing the compliance and time-effectiveness of information disclosure.

In the meantime, the Company has established the Measures on Information Disclosure Management, the Measures on Investor Relations Management and the Detailed Rules on the Work of the Information Disclosure Committee, setting out in detail the basic principle, targets and contents of disclosure. The issue and implementation of these regulations further improved the information disclosure system of the Company and enhanced the discipline of the Company’s information disclosure.

In addition, the Company has also made the Internal Control System according to Sections 302 and 404 of Sarbanes-Oxley Act of 2002 and prepared the Internal Control Handbook, further enhancing the corporate governance and ensuring true, timely, accurate and complete information disclosure.

Having established a complete and effective control system, the Company has been able to control potential risks in information disclosure effectively and ensure that all information disclosed by the Company is regulated and effective for the last 15 years since its listing. With its timely, accurate and sufficient information disclosure, the Company has received recognition by domestic and overseas investors and won various honors granted by domestic and overseas investment institutions and professional institutions.

Expanding channels and effective communication

In view of the different needs and nature of different investors - existing investors, potential investors, institutional investors and retail investors, the Company holds a variety of investor relations activities in various forms including telephone, emails, analyst conference, one-to-one meetings, investment forums, roadshows reverse roadshow according to the characteristics of different investors, with a view to achieve all-round and effective communication and establish long-term stable relations of mutual trust.

The Company handles daily calls and visits made by investors properly. By consistently updating and sorting out investor database, expanding the investor communication network of the Company, holding two-way interactive investor relation activities, the Company is able to enhance the understanding and knowledge of investors about the Company, adopt suggestions and ideas put forward by investors, create two-way communication channels and platforms for communication with investors and maximize the interests of the Company and investors.

Timely disclosure and continuous follow-up

The Company discloses information of the Company in a true, accurate, complete and timely manner strictly according to the requirements of regulatory authorities of listing places, increasing the transparency of and attention to the Company and enhancing the image of the Company in capital markets. In the meantime, the Company follows up feedbacks from investors consistently and ensures effective communication, with a view to establish stable investor relations.

The Company held 18 overseas press conferences and issued 88 overseas announcements in 2009.

o NOTICE TO SHAREHOLDERS

Dividend distribution

The Board resolved to propose for the year ended 31 December 2009 a dividend of RMB0.21 (inclusive of tax) per share. Dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi. Save for the dividends on foreign shares traded on the Hong Kong Stock Exchange which will be paid in Hong Kong dollars, dividends on other foreign shares will be paid in US dollars. Exchange rates for dividends paid in US dollars and Hong Kong dollars are USD1 to RMB6.82625 and HK$1 to RMB0.87956 respectively. All the dividends payable to shareholders shall be subject to shareholders' approval at the annual general meeting of the Company.

o SHAREHOLDERS RETURN

Performance of share price

The performance of the Company's ADS traded on the New York Stock Exchange in 2009 was as follows: opening price: USD29.16/ADS, highest price: USD34.43/ADS, lowest price: USD21.60/ADS, closing price: USD22.40/ ADS, representing a decrease of USD6.78/ADS (23.34%) as compared to the previous year. The performance of the Company's shares traded on the Hong Kong Stock Exchange in 2009 was as follows: opening price: HKD5.60/share, highest price: HKD6.71/share, lowest price: HKD4.19/share, closing price: HKD4.39/share, representing a decrease of HKD1.21/share (21.60%) as compared to the previous year.

The performance of the Company's shares traded on the Shanghai Stock Exchange in 2009 was as follows: opening price: RMB6.95/share, highest price: RMB9.70/share, lowest price: RMB6.67/share, closing price: RMB8.01/share, representing an increase of RMB1.09/share (15.75%) as compared to the previous year.

o DIVIDENDS

Dividend policy

The Company maintains a positive, balanced and stable dividend policy, persistently increases its earning power, striving for realisation of increasing returns to shareholders.

Declaration of dividends

Since listing, the Company has been given tremendous support and concern by shareholders. The Company has also throughout the years rewarded shareholders with a persistent, stable and increased retun. The Company has been declaring dividends every year since 1998. The accumulate dividend paid amounted to RMB23.283 billion.

Year	Dividend per share (RMB)	Earnings per share (RMB)	Dividend weighting
1994		0.17	
1995		0.24	
1996		0.27	
1997		0.33	
1998	0.08	0.33	24.24%
1999	0.09	0.33	27.27%
2000	0.22	0.44	50.00%
2001	0.30	0.60	50.00%
2002	0.34	0.65	52.31%
2003*	0.50	0.90	55.56%
2004	0.25	0.44	56.82%
2005	0.25	0.40	62.50%
2006	0.28	0.50	56.00%
2007	0.30	0.51	58.82%
2008	0.10	-0.33	

* The Company's dividend plan for 2003 included a cash dividend of RMB5.00 together with bonus issue of 10 shares, for each 10 shares.

o INVESTOR RELATIONS ACTIVITIES HELD BY THE COMPANY

Press Conferences

The Company has organized one press conference in Hong Kong, one large-group presentation with Hong Kong investment analysts, one large-group presentation with PRC investment analysts and fund managers, two global telephone conferences for the quarterly results and a global telephone conference for the results of the first half of the year.

Visits by and general enquiries from investors

The Company has received more than 100 groups of institutional investors for company visits and about 200 telephone enquiries from investors in the year.

Investors Forum

In 2009, the management of the Company has attended 5 large investment forums in which it met more than 100 institutional investors.

Power Plant Visits

The Company organized 22 PRC and overseas investment analysts to visit the Huaneng Beijing Co-generation Power Plant. Through the site visit and discussion with the management of the power plant, the analysts were deeply impressed by the facilities and management quality of Huaneng Beijing Co-generation Power Plant. In particular, they expressed their concern and affirmation on the series of environmental protection measures taken by Huaneng Beijing Co-generation Power Plant.

Information about Huaneng Beijing
Co-generation Power Plant

Huaneng Beijing Co-generation Power Plant is currently the first high efficiency environmental friendly green power plant that has flue-gas desulphurization, denitrification carbon dioxide capture and combined cooling-heating-power in urban water usage. Environmental standards of the power plant are at a leading level in China and an advanced level in the world. The power generation of Huaneng Beijing Co-generation Power Plant accounts for approximately 10% of electricity consumption in Beijing. The annual heat supply of the plant accounts for approximately 30% of the centralized heat supply area in Beijing. The power plant is currently the electricity and heat co-generation of the largest heat supply capacity in China.

Report of the
Board of Directors

The Directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2009.

RESULTS SUMMARY

The Board of Directors (the "Board") of Huaneng Power International, Inc. (the "Company" or "Huaneng International") hereby announces the audited operating results of the Company and its subsidiaries for the year ended 31 December 2009.

For the twelve months ended 31 December 2009, the Company recorded operating revenue of RMB76.863 billion, representing an increase of 13.31% compared to the same period of the previous year, and profit attributable to equity holders of the Company of RMB4.930 billion, representing an increase of 225.19% as compared with the same period of 2008. Earnings per share amounted to RMB0.41. The Board is satisfied with the Company's performance last year.

The Board of the Company proposed to declare a cash dividend of RMB0.21 (inclusive of tax) for each ordinary share of the Company held by shareholders.

BUSINESS REVIEW OF YEAR 2009

In 2009, in response to the international financial crisis and complicated operating situation, the management and all the staff of the Company worked together closely to overcome difficulties and make progress, achieving the target of turning a loss into a gain and in the meantime fulfilling the responsibility of supplying sufficient, reliable and clean electricity for the society. The Company also achieved new results in all aspects including safe production, operation management, energy saving, environmental protection, project development, capital operation and corporate governance. In Singapore, Tuas Power Ltd. recorded the best annual operating results since its incorporation despite of a complicated market environment, making contribution to the profit growth of the Company.

1. OPERATING RESULTS

For the twelve months ended 31 December 2009, the Company recorded a net operating revenue of RMB76.863 billion, representing an increase of 13.31% compared to the same period of 2008. The Company achieved an equity profit of RMB4.930 billion, representing an increase of 225.19% as compared with the same period of last year, with an earnings per share of RMB0.41.

As at the end of 2009, net asset per share amounted to RMB3.49, representing an increase of 14.05% over 2008.

The Audit Committee of the Company convened a meeting on 22 March 2010 and reviewed the 2009 annual results of the Company.

2. POWER GENERATION

In 2009, the Company's total domestic power generation from all operating power plants on a consolidated basis amounted to 203.520 billion kWh, representing a 10.23% increase as compared to the same period of the previous year. The increase in the Company's power generation was mainly attributable to the newly acquired power plants and the commencement of new generating units. The annual average utilization hours of the Company's coal-fired generating units reached 5,220 hours, representing 381 hours above the average rate of the coal-fired generating units in China.

In 2009, the accumulated power generation of Tuas Power Ltd. in Singapore accounted for a market share of 24.3%, which was similar to the same period of the previous year.

3. COST CONTROL

In 2009, the coal supply condition was relatively complicated. The Company had re-inforced the communication and negotiation with its key suppliers, thus maintained an efficient major source of coal supply. At the same time, the Company also kept close track on the international market and increased the procurement of imported coal. The Company actively developed and utilized the available internal resources of China Huaneng Group ("Huaneng Group"), took full advantage of the economies of scale and management strength and made efforts to reduce the purchase price of fuel, so as to control fuel costs effectively.

The unit fuel cost of the Company's domestic power plants was RMB215.73 per MWh in 2009, representing a decrease of 13.50% from the previous year.

4. ENERGY SAVING AND ENVIRONMENTAL PROTECTION

The Company highly values energy saving and environmental protection. All the newly built generating units have been installed with flue-gas desulphurization facilities and at the same time the Company reinforced the environmental protection and enhancement work of the existing units. As at the end of 2009, all of the Company's existing coal-fired generating units have installed with flue-gas desulphurization facilities.

In 2009, the average equivalent availability ratio of the Company's domestic power plants was 91.95%. The average coal consumption rate for the power generated for the whole year of the Company was 301.18 gram/kWh, 5.47 gram/kWh lower than that of the same period of the previous year. The average coal consumption rate for power sold was 320.10 gram/kWh, representing a decrease of 5.84 gram/kWh as compared to the same period last year and 21.9 gram/kWh lower than the average level of the nation. The weighted average house consumption rate was 5.25%. The technical and economic indicators of the Company are maintained at a leading level in the PRC.

5. PROJECT DEVELOPMENT

The construction projects of the Company progressed smoothly. Two 1,036MW ultra-supercritical coal-fired generating units at Guangdong Haimen Power Plant Phase I (Units 1 and 2), two 660MW coal-fired generating units at Jiangxi Jinggangshan Power Plant Phase II (Units 3 and 4), two 330MW coal-fired generating units at Liaoning

Yingkou
Co-generation (Units 1 and 2), two 350MW coal-fired generating units at Shandong Jining Co-generation (Units 1 and 2), one 1,030MW coal-fired generating unit at Jinling Power Plant (Coal-Fired) in Nanjing, Jiangsu (Unit 3) and Inner Mongolia Huade Wind Power (with a total capacity of 49.5MW) have commenced operation in 2009. In addition, two 600MW coal-fired generating units at Gansu Pingliang Power Plant Phase II (Units 5 and 6) have completed the 168-hour trial run in February and March 2010, respectively.

On the other hand, Unit 4 (110MW) at Jining Power Plant in Shandong Province, Unit 2 (220MW) at Huaiyin Power Plant in Jiangsu Province and two 225MW coal-fired generating units at Xindian Power Plant in Shandong Province was closed during the year. The capacity of Unit 1 and Unit 4 of Shanghai Shidongkou I Power Plant has increased from 320 MW and 300 MW to 325 MW and 325MW, respectively. The capacity of each of Units 1, 2 and 3 of Pingliang Power Plant in Gansu Province has increased from 300 MW to 325 MW. The generation capacity of Sichuan Hydropower, in which the Company holds 49% interest, increased by 295MW in 2009.

To date, the Company had an equity-based generation capacity of 45,912MW and a controlling generation capacity of 49,433MW.

The preliminary work of planned projects of the Company also progressed smoothly. The overseas business has been further expanded. Tembusu multi-utilities complex of Tuas Power Ltd. (Singapore) has commenced the construction work.

6. CAPITAL OPERATION

(1) The acquisition of 55% equity interest in Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company and 41% equity interest in Huaneng Beijing Co-generation Limited Liability Company by the Company from Huaneng Group and Huaneng International Power Development Corporation (“HIPDC”), respectively took effect in September 2009. The controlling generation capacity and the equity-based generation capacity of the Company thus increased by 2,045MW and 1,006MW, respectively.

(2) The acquisition through which the Company acquired 65% equity interest in Huaneng Qidong Wind Power Generation Co. Ltd. from Huaneng New Energy Industrial Holding Co. Ltd. took effect in September 2009. The controlling generation capacity and the equity-based generation capacity of the Company thus increased by 92MW and 60MW, respectively.

(3) On 31 December 2009, the Company entered into an Equity Interest Transfer Contract with ShanDong Electric Power Corporation and ShanDong Luneng Development Group Company Limited for acquiring various power plants (together with their ancillary coal mines), marine transportation facilities and port assets owned by ShanDong Electric Power Corporation and ShanDong Luneng Development Group Company Limited. The acquisition is being vetted by the relevant government authorities. The target assets of the acquisition will fully capitalise the advantages of joint operation of coal enterprises and power enterprises, thus providing long-term stable income for the Company. The acquisition also brings about the combined synergy effect from the facilities of coal, power and harbour, which is conducive to cultivate new profit growth points of the Company.

7. FUND RAISING

On 15 January 2010, the 8th Meeting of the Sixth Session of the Board of Directors approved in writing the scheme for non-public issue of A Shares and the non-public issue of H Shares. The parties participating in the non-public A Share issue will consist of not more than 10 designated investors including Huaneng Group. The party participating in the non-public H Share issue is China Hua Neng Group Hong Kong Limited (“Hua Neng HK”). All participating parties will subscribe for the shares in cash. The number of A Shares and H Shares to be issued under the non-public issue will not exceed 1,200 million A Shares and 400 million H Shares respectively. The issue price per A Share would be not less than RMB7.13. The final subscription price per A Share will be ascertained on the book-building basis after obtaining the approvals for the new issue. The issue price per H Share is HKD4.97.

At present, the proposed issue has been approved at the general meeting and at the respective class meetings of the Company as well as by the State-owned Assets Supervision and Administration Commission of the PRC State Council ("SASAC"). According to the applicable regulations, the proposed issue is still pending approvals by other competent governmental authorities.

PROSPECTS FOR 2010

In 2010, the impact of the international financial crisis still remains. The economy of China has witnessed relatively strong recovery, but there are still many uncertainties. The Company still faces challenges as well as opportunities in its development.

Regarding the power market, on the basis that the economic conditions of the PRC is further improving, power demand will maintain a trend of gradual growth, bringing about an opportunity for the Company to increase power generation. However, nationwide installed capacity keeps increasing significantly, bringing pressure on the growth of power utilization hours of the Company. In addition, the advancement of power system reform and the implementation of policies such as energy-saving power generation and dispatch will further consolidate the advantage of scale and leading position of the Company and further promote the efficiency and the strength of the Company, but in the meantime, this will bring certain uncertainties to the operations of the Company.

Regarding the coal market, the domestic annual thermal coal contracts signed by the Company provide fundamental protection for the coal supply for the Company. The contract on imported coal signed by the Company will stabilize price as well as ensuring essential resources supplement for coal supply of the Company's power plants located in the coastal regions. However, there may be new problems and challenges in the stability of coal supply and coal price due to the influence of changes in the coal market and the railway transport capacity. The Company faces pressure on cost control as a result.

Regarding the capital market, China will continue to implement positive fiscal policies and moderately relaxed monetary policy, maintain continuity and stability of macro economic policies, and in the meantime make efforts to increase the pertinence and flexibility of policies according to new situations. This poses new requirements on the Company in watching closely the impact of macro economic policies (especially changes in monetary policies) on the Company, adjusting the Company's financing strategy timely, ensuring fund supply and reducing financing costs.

In 2010, on the basis of ensuring safe and stable production and maximizing power generation, the Company will achieve the annual power generation of the Company's domestic power plants to 230 billion kWh, and increase the coal-fired generating unit utilization hours of the Company to 5,100 hours. The Company will actively expand fuel supply channels, enhance fuel cost management and strive to reduce fuel costs; control production costs strictly, consolidate and increase the profitability of the Company; continue its focus on energy saving and environment protection, keep reducing energy consumption levels and keep major technical and economic indicators positive; enhance the management of projects in progress, enhance the operation of new generating units, accelerate project development and increase the ability of the Company in sustainable development. In accordance with the guidance of the government on energy policies, the Company will accelerate the construction of highly efficient, environment friendly and large-scale thermal power bases, accelerate the construction of co-generation projects, speed up the development of coal and power integration projects, push forward the development of clean energy, such as natural gas and wind power projects, push forward the development of CDM projects, increase the weighting of clean energy of the Company and improve power generation structure to ensure sustainable development of the Company.

SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to the Financial Highlights on page 12 for summary of the operating results and assets and liabilities of the Company and its subsidiaries as at 31 December 2009 and for the accounting year then ended.

Please refer to pages 107 to 108 and 216 to 217 of the financial statements for the operating results of the Company and its subsidiaries for the accounting year ended 31 December 2009, which have been reviewed by the Company's Audit Committee.

DISTRIBUTABLE RESERVE

Distributable reserve of the Company as at 31 December 2009, calculated in accordance with its Articles of Association is set out in Note 20 to the financial statements prepared under International Financial Reporting Standards ("IFRS").

DIVIDENDS

Since the listing of the Company, shareholders have given great support to and cared much for the Company. The Company has also generated returns that have been growing continuously and steadily over the years. The Company has been paying dividends to shareholders every year since 1998, with an accumulated dividend of RMB23.283 billion paid.

In the future, the Company will continue to follow a proactive, balanced and stable dividend policy, keep increasing its profitability and achieve continuous growth of return on equity.

In accordance with the requirements of relevant laws and regulations and the articles of association of the Company, the Company adheres to the profit distribution policy whereby the distributable profits shall be the lower of distributable profits in the financial statements prepared under the PRC Accounting Standards and the International Financial Reporting Standards.

The Company proposed to declare a cash dividend of RMB0.21 (inclusive of tax) for each share to all shareholders for the year 2009. All dividend will be paid after the shareholders' approval is obtained at the annual general meeting of the Company.

In accordance with the Enterprise Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H share of the Company when distributing final dividends to them. Any H shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be shares held by non-resident enterprise shareholder(s). On the basis, enterprise income tax shall be withheld from dividends payable to such shareholder(s).

As the Company has not yet confirmed the date for convening the 2009 annual general meeting, the record date nor the period for closure of register to determine shareholder's qualification of receiving the dividend, the Company will announce such details in the notice of annual general meeting to be published upon the confirmation thereof. The Company shall comply with the relevant rules and regulations to withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members of the Company as of the record date.

During the reporting period, there was no change in the Company's accounting estimates, nor was there any rectification of major accounting errors. Please refer to Note 2 to the financial statements prepared under IFRS for details of new standards and amendments to standards adopted for the first time to the financial year beginning 1 January 2009.

PRINCIPAL BUSINESS

The domestic power plants of the Company and its subsidiaries are located in 17 provinces, provincial-level municipalities and autonomous regions. The Company also has a wholly-owned power plant in Singapore. The core business of the Company is to develop, construct and operate large scale power plants throughout the country by making use of modern technology and equipment and financial resources available domestically and internationally. The power plant facilities of the Company are technically advanced, highly efficient and stable.

SUBSIDIARIES AND ASSOCIATES

Please refer to Notes 9 and 8 to the financial statements prepared under the IFRS for details of the Company's subsidiaries and associates respectively.

BONDS

During the year, the Company issued RMB4 billion medium-term notes and RMB10 billion short-term debentures in meeting its operational needs.

BANK LOANS AND OTHER BORROWINGS

Please refer to Notes 22 and 28 to the financial statements prepared under the IFRS for details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2009.

CAPITALIZED INTERESTS

Please refer to Note 7 to the financial statements prepared under the IFRS for details of the capitalized interests of the Company and its subsidiaries during the year.

PROPERTY, PLANTS AND EQUIPMENT

Please refer to Note 7 to the financial statements prepared under the IFRS for details of properties, plants and equipment of the Company and its subsidiaries during the year.

RESERVES

Please refer to the consolidated statement of changes in equity prepared under the IFRS on pages 112 to 113 for the details of statutory reserves of the Company and its subsidiaries.

PRE-EMPTIVE RIGHTS

According to the articles of association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

MAJOR SUPPLIERS AND CUSTOMERS

The five major suppliers of the Company and its subsidiaries for year 2009 were China Shenhua Energy Company Limited, Shanxi Guoyang New Energy Joint Stock Company, China Coal Energy Company Limited, Shanxi Province Coal Transportation and Sales (Group) Company Limited and Huaneng Hulunbein Energy Development Limited Company, respectively. The total purchase from them amounted to approximately RMB9.95 billion, representing approximately 22.1% of the total coal purchase of the year.

As a power producer, the Company sells the electricity generated by its power plants through local grid operators only and has no other customers. The five major customers of the Company and its subsidiaries for the year 2009 were JiangSu Electric Power Company, ZheJiang Electric Power Corporation, Liaoning Province Power Corporation, Singapore Energy Market Company Pte. Ltd. and ShanDong Electric Power Corporation. The five customers accounted for approximately 56% of the total operating revenue for the year while the largest customer (JiangSu Electric Power Company) accounted for approximately 14% of the operating revenue.

None of the directors, supervisors and their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") had any interests in the five major suppliers and customers of the Company mentioned above in 2009.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

The following are the major continuing connected transactions and connected transactions of the Company in 2009 according to the requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. Continuing Connected Transactions with Huaneng Group and HIPDC

The major continuing connected transactions of the Company are those transactions conducted between the Company and certain subsidiaries and/or associates of Huaneng Group. Huaneng Group directly holds 8.75% of the total issued share capital of the Company. Through its wholly-owned subsidiary, China Hua Neng Group Hong Kong Limited, Huaneng Group indirectly holds certain H shares of the Company, representing 0.17% of the issued shares of the Company. In addition, Huaneng Group holds 51.98% direct interest and a 5% indirect interest in HIPDC which in turn holds 42.03% of the total issued share capital of the Company. Therefore, Huaneng Group is a connected person to the Company and transactions of the Company with those subsidiaries and/or associates of Huaneng Group constitute connected transactions of the Company under the Listing Rules. The purposes of the Company to enter into such continuing connected transactions with those connected persons were to meet the operational needs of the Company and to get the most favourable terms and conditions from the market from the Company's perspective. The relevant information regarding the continuing connected transactions was set out in the announcement and circular of the Company on 22 October 2008 and 7 November 2008, details of which are summarised as follows:

(i) Huaneng Group Framework Agreement entered into between the Company and Huaneng Group on 21 October 2008 for a term commencing on 1 January 2009 and expiring on 31 December 2009. Pursuant to the Huaneng Group Framework Agreement, the Company would conduct the following transactions with Huaneng Group and its subsidiaries and associates on an on-going basis:

- Purchase of ancillary equipment and parts for the purpose of renovation and maintenance, at terms and the prices 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 by an independent third parties for the same or similar type of ancillary equipments 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 the framework agreement.

For the year ended 31 December 2009, the annual cap of the purchase of ancillary equipment and parts was RMB1.12 billion. The actual transaction amount as at 31 December 2009 was RMB876.015 million.

- Purchase of coal and transportation services for power generation, 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 purchase of coal and the transportation service shall be no less favourable than those offered by independent third parties to the Company for the same or similar type of coal supply or transportation services. 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.

For the year ended 31 December 2009, the annual cap of the purchase of coal and transportation was RMB8.39 billion. The actual transaction amount as at 31 December 2009 was RMB4,208.865 million.

- Leasing of power transmission facilities, land and office spaces for operational needs, at terms and prices to be 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 by independent third parties for the same or similar type of facilities, land and office spaces. In addition, the payment 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 the year ended 31 December 2009, the annual cap of the leasing of power transmission facilities, land and office spaces was RMB169 million. The actual transaction amount as at 31 December 2009 was RMB168.705 million.

- Purchase of technical services and engineering contracting services for the Company's operation and production needs, at terms and prices 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 by independent third parties for the same or similar type of technical services and engineering contracting 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 the year ended 31 December 2009, the annual cap of the purchase of technical services and engineering contracting services was RMB237 million. The actual transaction amount as at 31 December 2009 was RMB201.058 million.

(ii) Huaneng Finance Framework Agreement entered into between the Company and China Huaneng Finance Corporation Limited ("Huaneng Finance") on 21 October 2008 for a term of three years commencing on 1 January 2009 and expiring on 31 December 2011. Each of Huaneng Group and the Company holds 51% and 20% equity interests in Huaneng Finance, respectively.

Pursuant to the Huaneng Finance Framework Agreement, the Company would from time to time place deposits with Huaneng Finance at rates which would no less favourable than those offered by independent third parties for provision of similar services to the Company. As no security over the assets of the Company is granted in respect of the note discounting services and loan advancement services provided by Huaneng Finance, such transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

For the period from 1 January 2009 to 31 December 2011, the outstanding balances of the deposits to be placed with Huaneng Finance on a daily basis would not exceed RMB6 billion. For the year ended 31 December 2009, the maximum balances of deposits placed with Huaneng Finance was RMB5,858.565 million.

2. Continuing Connected Transactions with Temasek and its subsidiaries and associates

Following completion of the acquisition of SinoSing Power by the Company, TPGS Green Energy Pte. Ltd. ("TPGS") became an indirect nonwholly owned subsidiary of the Company of which 75% is owned by Tuas Power Ltd. ("Tuas Power"), an indirect wholly owned subsidiary of the Company, and the remaining 25% is owned by Gas Supply Pte. Ltd. ("GSPL"), which is a subsidiary of Temasek Holdings (Private) Limited ("Temasek").

Temasek therefore became a substantial shareholder of a subsidiary of the Company and a connected person of the Company under the Listing Rules. Accordingly, the following transactions constitute continuing connected transactions of the Company:

(i) The Vesting Contract dated 23 September 2003 entered into between Tuas Power and SP Services Limited ("SP Services") (as supplemented by an addendum dated 1 April 2004 between the parties). SP Services is an associate of Temasek.

Pursuant to the Vesting Contract, SP Services has been allocating certain hedge quantities to Tuas Power and fixing certain hedge prices between the parties in accordance with the terms of the Vesting Contract, which shall terminate after midnight of 31 December 2009 if the Energy Market Authority of Singapore declares that the control of market power is no longer necessary, or upon an event of default or if a party is unable to perform any material provision of the Vesting Contract due to any law or directive of the Energy Market Authority of Singapore.

Depending on the vesting contract reference price and the regulated hedge price from time to time determined in accordance with the terms of the Vesting Contract and by the Energy Market authority of Singapore, payments are made under the Vesting Contract.

(ii) The Market Support Services Agreement dated 15 November 2002 entered into between Tuas Power Supply Pte. Ltd. ("TPS") and SP Services, which is an associate of Temasek.

Pursuant to the Market Support Services Agreement, SP Services has been providing the market support services to TPS. The Market Support Services Agreement continues indefinitely until terminated by TPS upon giving 90 days prior written notice to the other party or upon notice given by the non-defaulting party in any event of default by the defaulting party.

The charges payable (inclusive of vesting settlement) under the Market Support Services Agreement are in line with the regulated price from time to time approved by the Energy Market Authority of Singapore.

(iii) The Retailer Use of System Agreement dated 26 September 2002 entered into between TPS and Power Grid Limited, which subsequently assigned its rights to SP PowerAssets Limited. SP PowerAssets Limited is an associate of Temasek.

Pursuant to the Retailer Use of System Agreement, SP PowerAssets Limited has been providing electricity transmission services to TPS customers where TPS is providing retailer consolidated billing to customers of TPS. The Retailer Use of System Agreement continues indefinitely unless terminated by the nondefaulting party in the event of default by the other party. It may be automatically terminated upon the voluntary disconnection of all facilities or equipment of TPS's consumers from the transmission system where no re-connection has occurred within 30 days of such disconnection.

The Retailer Use of System Agreement shall also automatically terminate upon the involuntary disconnection of all TPS's consumer's connected facilities in accordance with the agreement on the 61st day after the date of disconnection.

The charges for the services are in line with the regulated price from time to time approved by the Energy Market Authority of Singapore.

(iv) The End User Agreement dated 11 June 2004 entered into between Tuas Power Generation Pte. Ltd. ("TPG") (a wholly-owned subsidiary of Tuas Power) and GSPL (as supplemented by a letter agreement dated 10 November 2004 and amended by a Supplemental Agreement dated 29 October 2007). GSPL is a subsidiary of Temasek.

Pursuant to the End User Agreement, TPG has been purchasing gas supply procured by GSPL pursuant to a gas sales agreement between Pertamina and GSPL and at the contract price which is pegged to the average daily Singapore spot price of High Sulfur Fuel Oil (HSFO) 180 centistoke (CST) as quoted by Platt.

The End User Agreement is for a period expiring on 12 August 2023 unless terminated in accordance with the terms specified therein.

The Company has published an announcement regarding the above continuing connected transactions on 4 July 2008 in compliance with Rule 14A.41 of the Listing Rules. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of any or all of the above agreements.

Connected Transactions

3. Acquisition of the production targets of Chengdu Power Plant

On 31 March 2009, Huaneng Nanjing Jinling Power Limited Company ("Jinling Power Plant") and China Huaneng Group Chengdu Coal-fired Power Plant Sub Company ("Chengdu Power Plant") entered into an agreement in relation to the payment of compensation by Jinling Power Plant to Chengdu Power Plant due to the closure of coal-fired generation units having a generation capacity of 200MW by Chengdu Power Plant for constructing 1 x 1,000MW domestic ultra-supercritical coal-fired generation unit at Jinling Power Plant. The construction is to follow the policy of "replacing small units with larger units".

Jinling Power Plant is a subsidiary of the Company, while Chengdu Power Plant was established by Huaneng Group. Huaneng Group and its associates (including Chengdu Power Plant) are connected persons to the Company. The agreement (and the Compensations) constitute a connected transaction of the Company.

Pursuant to the agreement, Chengdu Power Plant transferred its production targets out of the generation capacity of 200 MW to Jinling Power Plant for constructing 1 x 1,000 MW domestic ultra-supercritical coal-fired generation unit. The construction is to follow the policy of "replacing small units with larger units". The consideration of the transfer was RMB160 million calculated on the basis of RMB 800 per kW for compensating Chengdu Power Plant. The consideration was funded internally by Jinling Power Plant.

4. Acquisition of 65% equity interest in Qidong Wind Power

On 31 March 2009, the Company entered into the Transfer Agreement with Huaneng New Energy Industrial Holding Limited Company ("Huaneng New Energy") for acquiring Huaneng New Energy's 65% equity interest in Huaneng Qidong Wind Power Generation Co. Ltd. ("Qidong Wind Power").

Huaneng New Energy is a wholly owned subsidiary of Huaneng Group and is therefore a connected person of the Company.

After completion of the acquisition, the Company's wind power generation installed capacity on an equity basis would increase by 59,500kW and the Company would obtain the development right of Qidong Wind Power follow-up projects which is a relatively good starting point for the Company to enter into the wind power area. The consideration of RMB103 million under the Transfer Agreement was determined on normal commercial terms and arm's length negotiations between the parties and was funded by the Company's internal cash surplus.

5. Acquisition of interests in YLQ Co-generation and Beijing Co-generation

On 21 April 2009, the Company entered into the YLQ Co-generation Interest Transfer Agreement and Beijing Co-generation Interest Transfer Agreement with Huaneng Group and HIPDC, respectively. Huaneng Group and HIPDC are connected persons to the Company.

Pursuant to the YLQ Co-generation Interest Transfer Agreement, the Company acquired 55% of the registered capital in Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company ("YLQ Co-generation") from Huaneng Group in consideration of RMB1.076 billion, which was determined on the basis of normal commercial terms and arm's length negotiations and was funded by the Company's internal cash surplus.

Pursuant to the Beijing Co-generation Interest Transfer Agreement, the Company acquired 41% of the registered capital in Huaneng Beijing Co-generation Limited Liability Company ("Beijing Co-generation") from HIPDC in consideration of RMB1.272 billion, which was determined on the basis of normal commercial terms and arm's length negotiations and was funded by the Company's internal cash surplus.

The acquisition enables the Company to enter into the power markets of Beijing and Tianjin and helps strengthen the Company's leading position in the economic region around Bohai, an area with rapid economic growth and strong power demand.

6. Establishment of Shidaowan Nuclear Power Plant

On 20 October 2009, the Company entered into the Capital Contribution Agreement with Huaneng Group and HIPDC in relation to the joint establishment of of Shidaowan Nuclear Power Development Limited Liability Company ("Shidaowan Nuclear Power Plant"). Huaneng Group and HIPDC are connected persons to the Company.

Pursuant to the Capital Contribution Agreement, Huaneng Group, HIPDC and the Company agreed to make capital contribution in the ratios of 40% (i.e. RMB400 million), 30% (i.e. RMB300 million) and 30% (i.e. RMB300 million), respectively, for the joint establishment of Shidaowan Nuclear Power Plant with a registered capital of RMB1 billion for the development, construction, operation and management of four AP1000 pressurized water reactors, and for the production and sale of electricity and related products. The Company funded such capital contribution by way of its internal cash surplus.

Total investment of the project shall be the amount as approved by the State. The amount of capital for the project shall be 20% of the total investment amount of the project (on the basis that the registered capital being RMB1 billion, the total investment of the project is estimated to be RMB 5 billion). Pursuant to the needs of the progress of the project, each party shall contribute additional capital on a pro-rata basis in accordance with the stipulations of the State. Each party shall follow its ratio of capital contribution stipulated in this agreement, and contribute in full the increased amount of capital contribution within such timeframe according to the resolution of the shareholders' meeting.

The project company shall raise finance with respect to the difference of amount between the total investment amount of the project and the amount of capital. In accordance with the needs of the finance, each party shall provide guarantee for such amount of finance according to its ratio of capital contribution (or provide funds as permitted by laws no more favourable than the same conditions offered by the Group according to its ratio of capital contribution, details to be further negotiated).

Pursuant to the relevant arrangement for the State's energy development, nuclear power will be one of the focus areas for future energy construction by the State. In accordance with the Company's "Twelfth Five-year Plan" and long-term strategic development plan, the development and construction of nuclear power has an irreplaceable effect for the competitiveness enhancement, structural adjustment and long-term development of the Company. The expansion to the nuclear industry is consistent with the strategic perspective of the Company. The establishment of Shidaowan Nuclear Power Plant enables the Company enter into the nuclear power section which is consistent with the strategic perspective of the Company.

Based on the work performed, the auditors of the Company have reviewed the continuing connected transactions in item 1 above and confirmed to the Directors that:

(a) the transactions were approved by the Board of Directors;

(b) the transactions were made in accordance with the pricing policy of the Company;

(c) the transactions were entered into in accordance with the terms of the related agreements; and

(d) the transaction amount of each category of transactions did not exceed its respective caps allowed by the Hong Kong Stock Exchange as disclosed in the relevant announcements published by the Company.

The Independent Directors of the Company confirmed that the continuing connected transactions in item 1 above to which the Company was a party:

1. had been entered into by the Company and/or any of its subsidiaries in the ordinary and usual course of its business;

2. had been entered into either (i) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature made by similar entities within the PRC), or (ii) where there was no available comparison, on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and

3. had been entered into either (i) in accordance with the terms of the agreements governing such transactions, or (ii) where there was no such agreement, on terms no less favorable than terms available from third parties.

BUSINESS COMPETITION WITH CONTROLLING SHAREHOLDERS

The ultimate controlling shareholder of the Company, Huaneng Group, is also engaged in the power industry in China. HIPDC, the direct controlling shareholder of the Company, is also engaged in the power industry in China. The Company, HIPDC (direct controlling shareholder) and Huaneng Group (ultimate controlling shareholder) have power plants located in certain same regions. Huaneng Group and HIPDC have already entrusted the Company to manage certain of their power plants.

Currently, the Company has 15 directors and only 4 of them have positions in Huaneng Group and/or HIPDC. According to the articles of association of the Company, in case a conflict of interest arises, the relevant directors shall abstain from voting in the relevant resolutions. Therefore, the operation of the Company is independent from Huaneng Group and HIPDC and the operation of the Company is conducted for its own benefit.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY (AND/OR ITS SUBSIDIARIES)

The Company and its subsidiaries did not sell any shares or other securities of the Company (and subsidiaries) and did not purchase or redeem any shares or other securities of the Company (and subsidiaries) in 2009.

DIRECTORS OF THE COMPANY

The Directors of the Company in 2009 were:

Cao Peixi	Chairman	Appointed on 27 August 2008

Huang Long	Vice Chairman	Appointed on 13 May 2008
Wu Dawei	Director	Appointed on 13 May 2008
Huang Jian	Director	Appointed on 27 August 2008
Liu Guoyue	Director	Appointed on 13 May 2008
Fan Xiaxia	Director	Appointed on 13 May 2008
Shan Qunying	Director	Appointed on 13 May 2008
Xu Zujian	Director	Appointed on 13 May 2008
Huang Mingyuan	Director	Appointed on 13 May 2008
Liu Shuyuan	Director	Appointed on 13 May 2008
Liu Jipeng	Independent Director	Appointed on 13 May 2008
Yu Ning	Independent Director	Appointed on 13 May 2008
Shao Shiwei	Independent Director	Appointed on 13 May 2008
Zheng Jianchao	Independent Director	Appointed on 13 May 2008
Wu Liansheng	Independent Director	Appointed on 13 May 2008

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

On 31 March 2009, the Company's Board of Directors considered and approved the Amended Management Guidelines Regarding the Holding of the Company's Shares by the Directors, Supervisors and Senior Management of Huaneng Power International, Inc.. The standard of such guidelines is not lower than that of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Enquiry has been made with all Directors and Supervisors and all of them confirmed that they have complied with the code throughout 2009.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' RIGHT TO PURCHASE SHARES IN THE COMPANY

For the year ended 31 December 2009, 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 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 Companies to be notified to the Company and the Stock Exchange.

For the year ended 31 December 2009, none of the Directors or Chief Executives, Supervisors, senior management or their spouses or children under the age of 18 was given the right to acquire shares or debentures of the Company or any associated corporations (within the meaning of the SFO).

INDEPENDENT DIRECTORS' CONFIRMATION OF INDEPENDENCE

Each of the independent directors of the Company, namely Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng, has signed a confirmation letter on 22 March 2010 to confirm his compliance with the relevant requirements regarding independence under the Listing Rules and the Company considers them to be independent.

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of Directors and Supervisors of the Company are set out in Note 36 to the financial statements prepared under the IFRS.

THE FIVE HIGHEST PAID STAFF

Details of the five highest paid staff in the Company are set out in Note 36 to the financial statements prepared under the IFRS.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules and as agreed with the Hong Kong Stock Exchange, based on the information that is publicly available to the Company and within the knowledge of the directors.

STRUCTURE OF SHARE CAPITAL

As at 31 December 2009, the entire issued share capital of the Company amounted to 12,055,383,440 shares, of which 9,000,000,000 shares were domestic shares, representing 74.66% of the total issued share capital, and 3,055,383,440 shares were foreign shares, representing 25.34% of the total issued share capital of the Company. In respect of the foreign shares, Huaneng Group through its wholly owned subsidiary, Hua Neng HK, held 20,000,000 shares, representing 0.17% of the total issued share capital of the Company. In respect of domestic shares, HIPDC owns a total of 5,066,662,118 shares, representing 42.03% of the total issued share capital of the Company while Huaneng Group held 1,055,124,549 shares, representing 8.75% of the total issued share capital of the Company. Other domestic shareholders hold a total of 2,878,213,333 shares, representing 23.88% of the total issued share capital.

MAJOR SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholdings of the top ten shareholders of the Company as at 31 December 2009:

Names of shareholders	No. of Shares held as at the year end	Percentage of Shareholding (%) (%)
Huaneng International Power Development Corporation	5,066,662,118	42.03
China Huaneng Group	1,075,124,549	8.92
Hebei Provincial Construction Investment Company	603,000,000	5.00
Jiangsu Provincial International Trust & Investment Corporation	416,500,000	3.45
Fujian Investment Enterprise Holdings Company	374,466,667	3.11
Liaoning Energy Investment (Group) Limited Liability Company	332,913,333	2.76
Dalian Municipal Construction Investment Company	301,500,000	2.50
Horizon Asset Management, Inc.	108,377,160	0.90
Nantong Investment Management Limited Company	89,984,003	0.75

Minxin Group Limited	72,000,000	0.60

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2009, the interests or short positions of persons who were entitled to exercise or control the exercise of 5% or more of the voting power at any of the Company's general meetings (excluding the Directors, Supervisors and chief executive) in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Hong Kong Law Cap. 571) (the "SFO") were as follows:

Name of substantial shareholder	Class of shares	Number of shares held (shares)	Capacity	Type of interest	Percentage in the relevant class of share capital	Percentage in total share capital
HIPDC #	Domestic Shares	5,066,662,118 (L)	Beneficial owner	Corporate	56.30% (L)	42.03% (L)
China Huaneng Group #	Domestic Shares	1,055,124,549 (L)	Beneficial owner	Corporate	11.72%(L)	8.75% (L)
	H Shares	20,000,000 (L)	Beneficial owner	Corporate	0.39%(L)	0.17% (L)
Hebei Provincial Construction Investment Company	Domestic Shares	603,000,000 (L)	Beneficial owner	Corporate	6.70% (L)	5.00% (L)

Note: The letter "L" denotes a long position. The letter "S" denotes a short position.

As at 31 December 2009, Huaneng Group holds 51.98% equity interest in HIPDC. 20,000,000 H Shares are held by China Huaneng Group through its wholly owned subsidiary, Hua Neng HK.

Save as stated above, as at 31 December 2009, in the register required to be kept under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Save for the service contracts mentioned below, as at the end of 2009, the directors and supervisors of the Company did not have any material interests in any contracts entered into by the Company.

No director and supervisor has entered into any service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Each and every Director and Supervisor of the Company had entered into a service contract with the Company for a term of three years commencing from the signing of the contract.

REMUNERATION POLICY

In accordance with the overall development strategy of the Company, the Company has formulated the "Provisional Regulations on Remuneration Management" and "Regulations on Remuneration Management for the Staff of Subordinate Units". Employees' salaries are calculated with reference to the complexity of their jobs, the responsibilities they have to carry and their job performance. The remuneration of the Directors, Supervisors and senior management of the Company mainly consists of the following:

(1) Basic salaries and allowances

The basic salary is mainly set by an evaluation of the job position and a factor analysis, and with reference to the salary level of the relevant position in the labor market. It accounts for about 20% of the total remuneration.

(2) Discretionary bonus

Discretionary bonus is based on the performance of the Directors, Supervisors and senior management. It accounts for about 65% of the total remuneration.

(3) Pension

The Directors, Supervisors and senior management enjoy various social insurances established by the Company, including basic pension insurance, corporate annuity and housing fund. This pension contribution accounts for about 15% of the total remuneration.

According to the resolution at the general meeting, the Company pays each Independent Director a subsidy amounted to RMB60,000 (after tax) each year. The Company also reimburses to the Independent Directors for the expenses they incur in attending board meetings and general meetings and other reasonable expenses they incur while fulfilling their obligations under the Company Law and the Company's Articles of Association (including travelling expenses and administrative expenses). Besides these, the Company does not give the Independent Directors any other benefit.

STAFF HOUSING

The Company made allocation to the housing fund for the employees of the Company and its subsidiaries in accordance with the relevant PRC regulations.

DISPOSAL OF STAFF QUARTERS

According to the relevant PRC regulations, the Company has not provided welfare quarters to its staff.

STAFF MEDICAL INSURANCE SCHEME

According to the requirements as prescribed by the relevant local governments, the Company and its subsidiaries have joined a medical insurance scheme for its staff, and have taken measures for its implementation according to planning.

The Company and its subsidiaries have implemented a series of specified retirement contribution schemes as prescribed by the places where the Company and its subsidiaries have operations.

Pursuant to the specified retirement contribution schemes, the Company and its subsidiaries have paid contributions according to the terms and obligations set out in the publicly administered retirement insurance plans. The Company has no other obligations to pay further contributions after paying the prescribed contributions. The contributions payable from time to time will be regarded as expenses in the period and accounted for as labor cost.

GENERAL MEETINGS

During the reporting period, the Company convened one annual general meeting and one extraordinary general meeting.

1. The Company's annual general meeting was held on 18 June 2009. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 19 June 2009.

2. The Company's first extraordinary general meeting of 2009 was held on 22 December 2009. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 23 December 2009.

DISCLOSURE OF MAJOR EVENTS

1. On 21 April 2009, the Company entered into the "Share Transfer Agreement for the Transfer of 55% equity interest in Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company between China Huaneng Group and Huaneng Power International, Inc." and the "Share Transfer Agreement for the Transfer of 41% equity interest in Huaneng Beijing Co-generation Limited Liability Company between Huaneng International Power Development Corporation and Huaneng Power International, Inc." with Huaneng Group and HIPDC respectively. These transfers were approved by the SASAC on 11 September 2009, and the Company had paid in total RMB2.348 billion as the consideration for the transaction.

2. On 31 December 2009, the Company entered into an Equity Interest Transfer Contract with ShanDong Electric Power Corporation and ShanDong Luneng Development Group Company Limited. According to the equity interest transfer contract, the Company will acquire 100% equity interest in the registered capital of Yunnan Diandong Energy Limited Company, 100% equity interest in the registered capital of Yunnan Diandong Yuwang Energy Limited Company, 100% equity interest in the registered capital of ShanDong Zhanhua Co-generation Limited Company, 100% equity interest in the registered capital of Jilin Luneng Biological Power Generation Limited Company, 60.25% equity interest in the registered capital of Fujian Luoyuanwan Luneng Harbour Limited Liability Company, 58.3% equity interest in the registered capital of Fuzhou Port Luoyuanwan Pier Limited Liability Company, 73.46% equity interest in the registered capital of Luoyuan Luneng Ludao Pier Limited Liability Company, 100% equity interest in the registered capital of Qingdao Luneng Jiaonan Port Limited Company, 53% equity interest in the registered capital of ShanDong Luneng Sea Transportation Limited Company, preliminary stage project development rights (including Rizhao Lanshan 4 x 660MW coal-fired project and Luoyuanwan 2 x 660MW coal-fired project), all of which were owned by ShanDong Electric Power Corporation, and 39.75% equity interest in the registered capital of Fujian Luoyuanwan Luneng Harbour Limited Liability Company owned by ShanDong Luneng Development Group Company Limited. The Company will pay the transferors in total RMB8.625 billion as the consideration for the acquisition. Currently, the acquisition is subject to approval from the relevant government departments.

3. On 15 January 2010, the 8th Meeting of the Sixth Session of the Board of Directors considered and approved in writing the scheme for non-public issue of A Shares and the non-public issue of H Shares. The parties participating in the non-public A Share issue will consist of not more than 10 designated investors including Huaneng Group. The party participating in the non-public H Share issue is Hua Neng HK. All participating parties will subscribe for the

shares in cash. The number of A Shares and H Shares to be issued under the non-public issue will not exceed 1,200 million A Shares and 400 million H Shares respectively. The issue price per A Share would be not less than RMB7.13 per share. The final subscription price per A Share will be ascertained on the book-building basis after obtaining the approvals for the new issue. The issue price per H Share is HKD4.97. The proposed issue has been approved by the Company's general meeting and class meetings, as well as the SASAC. According to the applicable laws, the proposal is subject to approvals by the other competent governmental authorities.

CODE OF CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The annual report of the Company will contain a corporate governance report prepared in accordance with the requirements of the Listing Rules.

DESIGNATED DEPOSIT

As at 31 December 2009, the Company and its subsidiaries did not have any designated deposit with any financial institutions within the PRC nor any overdue fixed deposit which could not be recovered.

DONATIONS

During the year, the total amount of donation made by the Company and its subsidiaries was approximately RMB6.308 million.

LEGAL PROCEEDINGS

As at 31 December 2009, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company and its subsidiaries.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER

The 2009 annual general meeting will be held in June 2010. For details of the resolutions to be considered and approved at the meeting, the book closure period of H share register, record date for determining the qualification to receive dividends and the date of the annual general meeting, please refer to the notice of 2009 annual general meeting to be issued by the Company in due course.

AUDITORS

In the forthcoming annual general meeting for 2009, a proposal regarding the re-appointment of PricewaterhouseCoopers as the international auditors of the Company and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the PRC auditors of the Company for 2010 will be tabled for shareholder's consideration and approval.

By Order of the Board
CAO Peixi
Chairman

Beijing, PRC
23 March 2010

Report of the Supervisory Committee

To All Shareholders,

In 2009, all members of the Supervisory Committee of the Company strictly complied with the laws and regulations of the places where the Company is listed, as well as the Articles of Association of the Company. They have acted honestly and in good faith, and carried out their work diligently so as to protect the interest of the shareholders and the benefit of the Company. The Committee conducted reviews on the performance of duties of the Directors of the Company and the senior management and the operational situation and management of the Company for 2009. We hereby report the major work during the reporting period as follows:

1. WORK OF THE SUPERVISORY COMMITTEE IN 2009

In accordance with the applicable laws and regulations, the Articles of Association of the Company and the practical needs of the Company's development, the Supervisory Committee convened four meetings and completed the following tasks in 2009:

(1) On 31 March 2009, the 4th meeting of the Sixth Session of the Supervisory Committee was convened at the headquarters of the Company. The financial statements of the Company for 2008, the Financial Budget of the Company for 2009, the Proposal of Profit Distribution for 2008, the Self-Assessment Report on Internal Control of the Company by the Board of Directors, the Social Responsibility Report of Huaneng Power International, Inc. for 2008, the Annual Report of 2008 and its summary, and the Working Report of the Supervisory Committee of the Company for 2008 were considered and approved at the meeting.

(2) On 21 April 2009, the 5th meeting of the Sixth Session of the Supervisory Committee was held at the headquarters of the Company. The financial report for the first quarter of 2009 and the first quarterly report of 2009 were considered and approved at the meeting.

(3) On 11 August 2009, the sixth meeting of the Sixth Session of the Supervisory Committee was held in Dalian. The financial statements for the first half of 2009, the interim report of the Company for 2009 and its summary were considered and approved at the meeting.

(4) On 20 October 2009, the seventh meeting of the Sixth Session of the Supervisory Committee was held at the headquarters of the Company. The financial statements for the first three quarters of 2009, the third quarterly report of the Company for 2009 were considered and approved at the meeting.

The Supervisors of the Company attended (or appointed other Supervisors) all of the aforesaid meetings. The convocation of the meetings complied with the requirements of the Company Law of the PRC and the Articles of Association of the Company.

During the reporting period, the Supervisors of the Company attended all board meetings and general meetings of the Company.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2009

(1) Lawfulness of the Company's operations

The Supervisory Committee performed effective supervision and examination on the procedures for convening the shareholders' meetings and Board meetings and resolutions thereof, the implementation of the resolutions of the shareholders' meetings by the Board of Directors and the senior managements, performance of duties of the Directors and the senior management of the Company and the implementation of the internal control system of the Company, and expressed their opinions and views in time according to the relevant laws and regulations stipulated by the Articles of Association.

The Supervisory Committee is of the view that the Board of Directors and the senior management are capable of establishing a model and conducting regulated operation in strict compliance with the Articles of Association and applicable laws, of the jurisdictions in which the Company's shares are listed, and have performed dutifully, diligently, and in good faith. During the reporting period, the Company's management system further improved as a result of the continuing establishment of systems. The design and implementation of internal control system became more all-rounded. The business activities of the Company complied with the legal requirements. In the course of examining the financial position of the Company and supervising the performance of duties of the Directors and senior management, the Supervisory Committee has not found any of their behavior which contravened any applicable laws or the Articles of Association of the Company or any issues that has caused damage to the interests of the Company.

(2) Examining the financial information of the Company

The Supervisory Committee has carefully examined and verified the financial reports of the Company for 2009, the profit distribution proposal of the Company for 2009, the annual report of the Company of 2009, and the 2009 financial statements audited by the domestic and international auditors with unqualified opinions issued.

The Supervisory Committee holds the view that in 2009, in face of the harsh test of the international financial crisis and a complicated business landscape, under the proper leadership of the Board of Directors, the management led all staff to duly implement the spirit of working meetings of the Company and took active measures to meet challenges in the electricity market, the fuel market and the financing market. The management and the staff worked together to perform their duty in a pragmatic manner, overcome difficulties and make progress. They have made considerable achievements in all aspects including safe production, operation and management, corporate governance, project commencement, energy saving, emission reduction and capital operation, laying a solid foundation for the development of the Company into an international leading listed power producer. The Company's financial statements of 2009 have accurately reflected the financial conditions and operating results of the Company during the reporting period. The Supervisory Committee agreed to the auditor's report on the Company's financial statements of 2009 issued by the auditors and the profit distribution plan for 2009.

(3) Fund raising

The latest fund raising exercise involving the issue of equity shares by the Company was in November 2001 in issuance of A shares. The fund raised has been used up in consistent with the undertaking referred to in the Company's prospectus.

(4) Major acquisitions and disposals of assets and connected transactions

During the reporting period, the Board of Directors of the Company has examined and approved the proposals regarding the major acquisitions, disposals of assets and connected transactions.

The Supervisory Committee is of the view that the arrangements involved in the above resolutions did not involve any insider dealings and the Supervisory Committee had not found any issues which was prejudicial to the interest of the shareholders or caused the loss of the Company's assets or damaged the interest of the Company. The connected transactions were fair and the prices thereof were determined reasonably.

(5) Examining the conditions of information disclosure of the Company

The Supervisory Committee is of the view that the Company's control over and procedure on the information disclosure were complete and effective. The process of information disclosure had strictly complied with the stipulations as set out in the Management Rules for Information Disclosure and the Measures on Investor Relations Management and met the requirements of the Company's listing places. The Company has provided the investors with information in a timely, accurate, true, complete and fair manner, thus facilitating the investors to have a more objective and comprehensive understanding of the Company. The information disclosure by the Company is conducive to enhance the reputation and image of the Company in the capital market.

In 2010, the Supervisory Committee will continue to perform its duties assigned by the laws and the Articles of Association of the Company diligently and in good faith, so as to safeguard and protect the legal interest of the shareholders and the Company.

Supervisory Committee of
Huaneng Power International, Inc.

Beijing, PRC
23 March 2010

Profiles of Directors, Supervisors
and Senior Management

PROFILES OF DIRECTORS AND SUPERVISORS

Cao Peixi, aged 54, is the Chairman of the Company as well as the President of Huaneng Group and the Chairman of HIPDC. He was the Deputy Head and Head of Qingdao Power Plant; Assistant to the Chief of Shandong Power Bureau; Deputy Chief (Vice President) of Shandong Power Bureau (Group Corporation); Chairman and President of Shandong Power Group Corporation; Vice President, President of China Huadian Corporation; and Chairman of Huadian Power International Corporation Limited. He graduated from Shandong University specializing in electrical engineering. He holds a postgraduate degree of master in engineering and is a senior engineer.

Huang Long, aged 56, is the Vice Chairman of the Company as well as the Vice President of Huaneng Group and the Director of HIPDC. He has served as manager of the International Co-operation and Business Department of HIPDC, and as Vice President and Secretary of the Board of Directors of the Company. He graduated with a M.S. Degree from North Carolina State University in the U.S., specializing in communications and auto-control. He is a senior engineer.

Wu Dawei, aged 56, is the Director of the Company, Chief of Power Development Department of Huaneng Group, Director and President of HIPDC and Chairman of Huaneng Shanghai Combined-cycle Power Limited Liability Company. He served as Deputy General Manager of Huaneng Shanghai Shidongkou Second Power Plant, Deputy General Manager of Shanghai branch of the Company, the General Manager of Huaneng Shanghai Shidongkou Second Power Plant, Vice President of the Company, Deputy Chief Engineer of Huaneng Group, President of Huaneng Group East China Branch and President of the Company’s East China Branch. He has obtained a Master of Business Administration degree from the Central Europe International Business School. He is a senior engineer.

Huang Jian, aged 47, is the Director of the Company and the assistant to President of Huaneng Group. He was the Deputy Chief of the Cost Office of the Finance Department; Chief of Cost General Office of the Finance Department of HIPDC; Chief Accountant of Beijing Branch of HIPDC; Deputy Manager of the Finance Department of HIPDC; Deputy Chief Accountant, Chief Accountant, Vice President, Company Secretary of the Company and Deputy Chief Economist and Chief of Financial Planning of Huaneng Group. Mr. Huang graduated from the accounting department of Institute of Fiscal Science of the Ministry of Finance with a postgraduate degree of master in economics. He is a senior accountant.

Liu Guoyue, aged 46, is the Director and President of the Company. He had been a director of Shanghai Times Navigations Transportation Limited Company, and Xi’an Thermal Research Institute Limited Company. He also served as Deputy General Manager and General Manager of Huaneng Shijiazhuang Branch (Shang’an Power Plant), Director of Huaneng Dezhou Power Plant, and Vice President of the Company. He graduated from North China Power University, specializing in thermal engineering. He holds a doctor’s degree in engineering. He is a senior engineer.

Fan Xiaxia, aged 47, is the Director and Vice President of the Company. He served as Deputy Chief of General Administration Division and Project Administration Division of Project Management Department of HIPDC, Deputy General Manager of the Company’s Nantong Branch, Deputy Manager of Project Management Department of HIPDC, Deputy Manager and Manager of International Co-operation and Business Department of the Company, Manager of Project Management Department of the Company, Assistant to President of the Company and General Manager of the Company’s Zhejiang Branch Yuhuan Power Plant Preparatory Office. He graduated from Beijing Construction Institute with a bachelor degree, specializing in civil engineering. He is a senior engineer.

Shan Qunying, aged 56, is the Director of the Company and the Vice President of Hebei Provincial Construction Investment Company, Chairman of Hebei Provincial Natural Gas Limited Company, Chairman of Hebei Xintai Power Generation Limited Company and Hebei Construction Investment Power Fuel Management Limited Company, Vice Chairman of Guodian Construction Investment Inner Mongolia Energy Limited Company, Vice Chairman of Hong Kong Yanshan Development Limited Company, Vice Chairman of Yanshan International Investment Limited Company and Director of Hebei Construction Investment New Energy Limited Company. He had been the Energy & Communication Division Chief of Hebei Provincial Construction Investment Company. He graduated from Management Institute of Tianjin University holding an EMBA degree. He is a senior engineer.

Xu Zujian, aged 55, is the Director of the Company, Vice President of Jiangsu Province Guoxin Asset Management Group Limited Company, and Chairman of Jiangsu Investment Management Co. Ltd. He was Vice President of Jiangsu Provincial International Trust & Investment Corporation, President of Jiangsu Provincial Investment & Management Limited Liability Company. He graduated from Liaoning Finance University majoring in infrastructure finance, holding a bachelor’s degree. He is a senior economic engineer.

Huang Mingyuan, aged 51, is the Director of the Company, Vice President of Fujian Investment Enterprise Group Company, President of Xiamen Fuda Photosensitive Materials Company Limited, Director of Xiamen International Bank, Macau Luso International Bank, Guangfa Huafu Securities Company Limited and Industrial Securities Co., Ltd.. She had been the director of the Office of Information Leading Group of Fujian Province, department head to the Management Office of Fujian Province Economic and Trade (Medicine) Committee, and the Secretary General of the Leading Committee for Market Reorganization and Restructuring and Order of Economy of Fujian Province. She graduated from the Business School of De Montfort University in the United Kingdom, specializing in business administration holding a Postgraduate Degree and was awarded a Master degree in business administration.

Liu Shuyuan, aged 59, is the Director of the Company, and the Chairman of Liaoning Energy Investment (Group) Limited Liability Company, Member of the 11th session of the Political Committee of Liaoning Province, Deputy Chief of the Hong Kong-Macau-Taiwan Immigrants Committee of the Political Committee of Liaoning Province, Vice Chairman of Liaoning Province International Trade Promotion Committee, Liaoning Province Entrepreneurs Committee and Liaoning Province Economical Cultural Development Committee. He has been the Deputy General Manager of Liaoning Provincial Trust and Investment Corporation, the Vice President, Director and President of Liaoning Changye (Group) Limited Liability Company (Liaoning Energy Corporation), Director and General Manager of Liaoning Energy Investment (Group) Limited Liability Company, and Supervisor of the Company. He is an on-job postgraduate of PRC Liaoning Province Communist Party School specializing in economic management. He is a senior economic engineer and senior operating manager.

Liu Jipeng, aged 53, is the Independent Director of the Company, director and mentor of PhD candidates at the Law and Economics Research Centre at China University of Political Science and Law. He graduated from the Economic Department of the graduate School of China Academy of Social Science with a master’s degree in economics. He is a certified public accountant.

Yu Ning, aged 55, is the Independent Director of the Company, Independent Director of Industrial Fund Management Limited Company and Guojin Securities Limited Company and President of All China Lawyers Association. Mr. Yu served as Deputy Director and Director of CCP Central Disciplinary Inspection Commission, practising lawyer at Beijing Times Highland Law Firm, part-time professor at Peking University, and mentor of master postgraduates at the Law School of Tsinghua University. He was the Independent Director of Jiangsu Lianyungang Port Co. Ltd. and Vice President of All China Lawyers Association. He graduated from the law department of Peking University with a LLB degree in 1983 and obtained a LLM degree specializing in economic law from the law department of Beijing University in 1996. He is a qualified lawyer.

Shao Shiwei, aged 64, is the Independent Director of the Company. He had been the Deputy Chief of the Electricity for Agriculture of the State Energy Department, the Chief of the Law and Regulation of the State Electricity

Department, Assistant General Manager of the National Electric Power Company. Deputy Secretary General of the Office Department, the President of Huadong Yixing Water Pumping and Energy Reserve Company Limited, the President and General Manager of Huadong Grid Network Company and Chairman of the Supervisory Committee of Shanghai Electric Power Co.,Ltd. He graduated from Tianjin University specializing in power plant, power grid and power system. He is a senior engineer.

Zheng Jianchao, aged 70, is the Independent Director of the Company, Deputy Chief of China Electrical Engineering Association, Honorary Vice Chancellor and President of China Electricity Science Research Institute and the Chief of the Science Technology Committee of China Guangdong Nuclear Power Group Corporation. He had been the Independent Director of the Company, Vice Chancellor and Chancellor of China Electrical Science Research Institute, Deputy Chief of the Academy of Science and Technology Committee of China Electricity Science Research Institute. In 1995, he had been elected as an associate member of China Technology Institute. He graduated from electrical machinery engineering faculty of Tsinghua University, specializing in high voltage technology and holding a Postgraduate Degree. He is a senior engineer.

Wu Liansheng, aged 39, is the Independent Director of the Company, a Professor, Ph. D. Tutor and head of the Department of Accounting of the Guanghua Management Institute of Beijing University and Independent Director of Rongsheng Real Property Development Joint Stock Limited Company. After obtaining his doctorate, Mr. Wu Liansheng was engaged in a two year post-doctorate research in Xiamen University. Afterwards, he commenced working in the Guanghua Management Institute of Beijing University as Lecturer, Associate Professor, Professor, Ph. D. Tutor and concurrently served as the Deputy Head and Head of the Department of Accounting. He graduated from Zhongnan University with a doctorate degree in Management (Accounting) in July 1999.

Guo Junming, aged 44, is the Chairman of the Company’s Supervisory Committee, the Chief Accountant of Huaneng Group, Chairman of Huaneng Capital Services Limited Company. He was the Deputy Director of the Financial Department and the Chief of the Financial Accounting Division of Grid Construction Branch Company (Grid Construction Department) of State Power Corporation, Deputy Manager of the Finance Department of Huaneng Group, Vice President and President of China Huaneng Finance Limited Liability Company, President of Huaneng Capital Services Limited Company, Deputy Chief Accountant and Manager of the Finance Department of Huaneng Group. He graduated from Shanxi Finance and Economic Institute specializing in business finance and accounting and holds a bachelor’s degree. He is a senior accountant.

Yu Ying, aged 54, is the Vice Chairman of the Company’s Supervisory Committee and President of Dalian Municipal Investment Corporation. Ms. Yu has served as Vice Director of Social Affair Department of Dalian Municipal Planning Commission, Director of Fixed Assets Investment Department of Dalian Municipal Planning Commission, Assistant to President of Dalian International Trusts Investment Corporation and Chairman and President of Dalian State-owned Asset Management Limited Company. She graduated from Northeast Finance and Economics University, specializing in international finance and international trade, with a master degree in Economics. She is a senior economic engineer.

Wu Lihua, aged 54, is the Supervisor of the Company, the Chief Accountant of HIPDC. She had been the Deputy Manager of the Finance Department of HIPDC, Deputy Manager of the Finance Department and the Manager of Diversified Businesses Management Department of the Company, Vice Chairman of the Preparatory Committee of Huaneng Insurance Company, Vice President of Yongcheng Property Insurance Holding Company Limited and the Manager of Finance Department of HIPDC. She graduated from the Renmin University of China (Second), specializing in Financial Accounting with a bachelor’s degree. She is a senior accountant.

Gu Jianguo, aged 43, is the Supervisor of the Company and President of Nantong Investment & Management Limited Company. Mr. Gu has served as Deputy Chief and Chief of General Department, Investment Department, Finance Department and Foreign Economic Affairs Department of the Nantong Municipal Planning Committee; Vice President of Nantong Ruici Investment Limited Company; Executive President of Ruici Hospital, President of Ruici

(Maanshan) Development Limited Company; Chairman and President of Nantong Zhonghe Guarantee Limited Company, Chief Officer of Nantong Municipal Investment Management Centre and Director and President of Nantong Investment Management Limited Company. He graduated from Nanjing Aviation University holding a bachelor's degree. He is an economic engineer.

Wang Zhaobin, aged 54, is the Supervisor and Manager of the Corporate Culture Department of the Company. He had been the Chief of the Organisation Affairs Bureau of the PRC Electricity Department, Chief of Human Resources Department and Retirement Department of Huaneng Power, the Deputy Secretary of Communist Party Committee, Secretary of Communist Party Disciplinary Inspection Committee, Chairman of the Labour Union of Huaneng Beijing Electric Plant, Deputy Manager, Manager of the Corporate Culture Department and Manager of Administration Department of the Company. He graduated from China Beijing Municipal Communist Party School, specializing in economic management, holding a bachelor's degree. He is a corporate culture specialist.

Dai Xinmin, aged 48, is the Supervisor of the Company and the Manager of the Audit and Supervisory Department of the Company. He had been the Deputy Chief of the Property Rights Bureau to the State-owned Assets Management Committee, the Deputy Chief Accountant, Deputy Manager of the Finance Department of China Huaneng Group, the Chief Accountant of Huaneng Comprehensive Property Rights Company and the Deputy Secretary General of the Asset Operation Department of China Huaneng Group. He graduated from Shanghai Finance Institute, specializing in industrial economics and holding a bachelor's degree. He is a economic engineer.

PROFILES OF SENIOR MANAGEMENT

Liu Guoyue, aged 46, is the Director and President of the Company. He had been a director of Shanghai Times Navigations Transportation Limited Company, and Xi'an Thermal Research Institute Company Limited. He also served as Deputy General Manager and General Manager of Huaneng Shijiazhuang Branch (Shang'an Power Plant), Director of Huaneng Dezhou Power Plant, and Vice President of the Company. He graduated from North China Power University, specializing in thermal engineering. He holds a doctor's degree in engineer. He is a senior engineer.

Fan Xiaxia, aged 47, is the Director and Vice President of the Company. He served as Deputy Chief of General Administration Division and Project Administration Division of Project Management Department of HIPDC, Deputy General Manager of the Company's Nantong Branch, Deputy Manager of Project Management Department of HIPDC, Deputy Manager and Manager of International Co-operation and Business Department of the Company, Manager of Project Management Department of the Company, Assistant to President of the Company and General Manager of the Company's Zhejiang Branch Yuhuan Power Plant Preparatory Office. He graduated from Beijing Construction Institute with a bachelor degree, specializing in civil engineering. He is a senior engineer.

Gu Biquan, aged 52, is the Vice President and secretary to the Board of Directors of the Company. He was Deputy Chief and Chief of Capital Market Department, Chief and Deputy Manager of the Secretariat of the Administration Department of HIPDC, and Manager of Capital Market Department, Assistant to the President, Manager of Administration Department of the Company. He also served as Deputy Chief of Power Development Department of Huaneng Group, Vice President and secretary to the Board of Directors of HIPDC. He graduated from Beijing Broadcasting Television University, specializing in electronic engineering. He is an engineer.

Lin Weijie, aged 46, is the Vice President of the Company. He was the Deputy General Manager of the Shantou Coal-fired Power Plant, General Manager of Huaneng Shantou Branch (Coal-fired Power Plant), Deputy General Manager of Huaneng Guangdong Branch (Shantou Power Plant) and Huaneng Fuzhou Branch (Power Plant), Deputy General Manager of Huaneng Shanghai Branch, General Manager of Shanghai Shidongkou Second Power Plant, Deputy Manager of Marketing and Sales Department (in charge of the department), Manager of the Planning and Development Department, and Assistant to President of the Company. Mr. Lin graduated from South China Polytechnic University, specializing in business management, and has a master degree in management. He is a senior engineer.

Ye Xiangdong, aged 42, is the Vice President of the Company. He was the Deputy General Manager and General Manager of Huaneng Chongqing Branch (Luohuang Power Plant), President of Huaneng Chongqing Luohuang Power Generation Limited Liability Company (Luohuang Power Plant), Deputy Manager of Safety and Production Department, Manager of Project Management Department and Assistant to President of the Company. He graduated from Chongqing University, specializing in thermal transmission and holds a master degree in science. Mr. Ye is a senior engineer.

Lin Gang, aged 45, is the Vice President of the Company. He was the Deputy Chief of Project Management Department of HIPDC, Assistant to General Manager and Deputy General Manager of Huaneng Beijing Branch (Thermal Power Plant), Deputy Manager of General Planning Department, Deputy Manager of Marketing and Sales Department of the Company (in charge of the department), President of Huaneng Northeast Branch, Manager of Marketing and Sales Department of the Company and Assistant to President of the Company. Mr. Lin graduated from North China Power University, specializing in thermal power, and holds a master degree in science. He is a senior engineer.

Zhou Hui, aged 46, is the Chief Accountant of the Company. She has been the Deputy Chief of the Finance Division and Price Management Division of the Finance Department Chief of Division II of Finance Department of HIPDC, Deputy Manager and Manager of the Finance Department of the Company, Deputy Chief Accountant and Chief Accountant and Manager of Finance Department of the Company. Ms. Zhou graduated from Renmin University of China with a master degree in management. She is a senior accountant.

Zhao Ping, aged 47, is the Chief Engineer of the Company. He was the Deputy Chief of Production Technology Office of the Production Department of HIPDC, Assistant to the General Manager of Huaneng Fuzhou Branch (Power Plant), Deputy Manager of the Production Department of HIPDC, Deputy Manager of Safety and Production Department and Planning and Development Department, Manager of International Co-operation and Business Department, Manager of Safety and Production Department and Deputy Chief Engineer of the Company. He graduated from Tsinghua University, specializing in thermal engineering and holds a master degree in science. Mr. Zhao is a senior engineer.

Du Daming, aged 43, is the Vice President of the Company. He had been secretary of the general manager of HIPDC, deputy chief and chief of the Secretariat of the Administration Department of Huaneng Group, deputy chief of the Secretariat of the Administration Department of the Company. Assistant Chief of the Office of the Board of Directors of the Company, deputy manager of the Administration Department and Deputy Director (in charge of work) of the Administration Office of Huaneng Group, Deputy Chief of the Office of the Board of Directors of the Company, Director of the Administration Office of Huaneng Group, and Chief of the Administration Office of the Company. He graduated from North China Power University, specializing in electric system and its automation, holding a master’s degree in engineering. He is a senior engineer.

Gao Shulin, aged 49, is Chief Economist of the Company. He was the deputy chief engineer and deputy General Manager of Jinzhou Power Plant, General Manager of Shenhai Thermal Power Plant, deputy chief of the General Planning Department of Liaoning Electric Industry Bureau, Manager of Production Department, director of Liaoning Electric Power Research Institute, General Manager of Huaneng Beijing Co-generation power Plant, Deputy Manager of the Human Resources Department of the Company. President of Huaneng Nuclear Power Development Co., Ltd. and Manager of Planning and Development Department of the Company. He graduated from Tsinghua University, specializing in nuclear reactor engineering, holding a bachelor’s degree in engineering. He is a senior engineer.

Corporate Information

Legal Address of the Company	West Wing, Building C Tianyin Mansion 2C Fuxingmennan Street Xicheng District Beijing The People's Republic of China
Company Secretary	Gu Biquan West Wing, Building C Tianyin Mansion 2C Fuxingmennan Street Xicheng District Beijing The People's Republic of China
Authorised Representatives	Liu Guoyue Fan Xiaxia
Hong Kong Share Registrar	Hong Kong Registrars Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Depository	The Bank of New York Investor Relations P.O. Box 11258 Church Street Station, New York NY 10286-1258 USA

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law:	Herbert Smith 23rd Floor, Gloucester Tower 15 Queen's Road Central Hong Kong
As to PRC law:	Haiwen & Partners 21st Floor, Beijing Silver Tower No.2 Dong San Huan North Road Chaoyang District Beijing The People's Republic of China
As to US law:	Skadden, Arps, Slate, Meagher & Flom 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central

Hong Kong

AUDITORS OF THE COMPANY

Domestic Auditors	PricewaterhouseCoopers Zhong Tian CPAs Limited Company 11/F., PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Luwan District, Shanghai 200021, PRC.
International Auditors	PricewaterhouseCoopers 22/F Prince's Building Central, Hong Kong

LISTING INFORMATION

H Shares:	The Stock Exchange of Hong Kong Limited Stock Code: 902
ADSs:	The New York Stock Exchange, Inc. Ticker Symbol: HNP
A Shares:	Shanghai Stock Exchange Stock Code: 600011

PUBLICATIONS

The Company's interim and annual reports (A share version and H share version) were published in August 2009 and April 2010 respectively. As required by the United States securities laws, the Company will file an annual report in Form 20-F with the Securities and Exchange Commission of the U.S. before 30 June 2010. As the Company's A shares have already been issued and listed, the Company shall, in compliance of the relevant regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, prepare quarterly reports. Copies of the interim and annual reports as well as the Form 20-F, once filed, will be available at:

Beijing:	Huaneng Power International, Inc. West Wing, Building C Tianyin Mansion 2C Fuxingmennan Street Xicheng District Beijing The People's Republic of China Tel: (8610)-6649 1999 Fax: (8610)-6649 1860 Website: http://www.hpi.com.cn
Hong Kong:	Wonderful Sky Financial Group Limited

Unit 3102-05, 31/F., Office Tower,
Convention Plaza, 1 Harbour Road,
Wanchai, Hong Kong

Tel: (852) 2851 1038
Fax: (852) 2815 1352

Glossary

Equivalent Availability Factor (EAF): Percentage on deration of usable hours on generating units in period hour, i.e.

$$EAF = \frac{\text{Available Hours (AH)} - \text{Equivalent Unit Derated Hours (EUNDH)}}{\text{Period Hour (PH)}} \times 100\%$$

Gross Capacity Factor (GCF):

$$GCF = \frac{\text{Gross Actual Generation (GAAG)}}{\text{Period Hour (PH)} \times \text{Gross Maximum Capacity (GMC)}} \times 100\%$$

Weighted Average Coal Consumption Rate for Power sold:	The standard of measurement on average consumption of coal for the production of every one kWh of electricity from a coal-fired generating unit. Unit: gram/kWh
Weighted Average Coal Consumption Rate for Power Generated:	The standard of measurement on average consumption of coal for the generation of every one kWh of electricity from a coal-fired generating unit. Unit: gram/kWh
Weighted Average House Consumption:	The rate of electricity consumption during power production versus power generating unit: %
Average Utilization Hour:	The operation hour coefficient converted from actual gross power generation of generating units to maximum gross capacity (or fixed capacity).
Capacity Rate:	Ratio between average capacity and maximum capacity which indicates the difference in capacity. The larger the ratio, the more balanced the power production, and the higher the utilization of facilities.
Power Generation:	Electricity generated by power plants (generating units) during the reporting period, or "power generation". It refers to the consumed generated electricity produced by generating units with power energy being processed and transferred, or the product of actual consumed electricity generated by generating units and actual operation hours of generating units.
Electricity Sold:	Electricity for consumption or production sold by power producers to customers or power-producing counterparts.

GW: Unit of power generation, = 109W, gigawatt
MW: = 106W, megawatt
kW: = 103W, kilowatt
kWh: Unit of power, kilowatt hour

Independent Auditor's Report

Independent Auditor's Report
To the shareholders of Huaneng Power International, Inc.
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Huaneng Power International, Inc. (the "Company") and its subsidiaries set out on pages 107 to 211, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Company and its subsidiaries as at 31 December 2009 and of the Company and its subsidiaries' financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2010

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2009
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB, except per share data)

		For the year ended 31 December	
	Note	2009	2008
Operating revenue	5	76,862,896	67,835,114
Sales tax		(151,912)	(106,385)
Operating expenses			
Fuel		(44,861,375)	(49,810,275)
Maintenance		(2,035,297)	(1,702,274)
Depreciation		(8,572,103)	(7,718,773)
Labor		(3,595,340)	(3,164,613)
Service fees on transmission and transformer facilities of HIPDC		(140,771)	—
Purchase of electricity		(3,639,440)	(2,726,028)
Others		(4,692,955)	(3,842,992)
Total operating expenses		(67,537,281)	(68,964,955)
Profit/(Loss) from operations		9,173,703	(1,236,226)
Interest income		60,397	83,522
Financial expenses, net			
Interest expense		(4,260,400)	(4,064,779)
Exchange gain and bank charges, net		(48,925)	356,836
Total financial expenses, net		(4,309,325)	(3,707,943)
Share of profits of associates	8	756,164	72,688
Loss from fair value change	6	(33,638)	(54,658)
Investment income		56,675	51,061
Profit/(Loss) before income tax expense	6	5,703,976	(4,791,556)
Income tax (expense)/benefit	31	(593,787)	239,723
Profit/(Loss) for the year		5,110,189	(4,551,833)

	Note	For the year ended 31 December 2009	2008
Other comprehensive income/(loss) for the year, net of tax			
Available-for-sale financial asset fair value changes		773,967	(1,563,388)
Proportionate share of other comprehensive income of investee measured using the equity method of accounting		8,795	3,096
Cash flow hedges		604,645	(476,601)
Currency translation differences		173,548	(536,638)
Other comprehensive income/(loss) for the year, net of tax		1,560,955	(2,573,531)
Total comprehensive income/(loss) for the year		6,671,144	(7,125,364)
Profit/(Loss) attributable to:			
— Equity holders of the Company		4,929,544	(3,937,688)
— Minority interests		180,645	(614,145)
		5,110,189	(4,551,833)
Total comprehensive income/(loss) attributable to:			
— Equity holders of the Company		6,489,317	(6,509,014)
— Minority interests		181,827	(616,350)
		6,671,144	(7,125,364)
Dividends paid	21	1,241,633	3,570,334
Proposed dividend	21	2,531,631	1,205,538
Proposed dividend per share (expressed in RMB per share)	21	0.21	0.10

Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company (expressed in RMB per share)			
— Basic and diluted	32	0.41	(0.33)

The notes on pages 117 to 211 are an integral part of these financial statements.

Balance Sheets
As at 31 December 2009
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

		The Company and its subsidiaries		The Company	
		As at 31 December		As at 31 December	
	Note	2009	2008	2009	2008
ASSETS					
Non-current assets					
Property, plant and equipment	7	140,777,336	116,737,198	66,139,250	62,549,262
Investments in associates	8	9,568,576	8,758,235	8,034,616	7,486,116
Investments in subsidiaries	9(a)	—	—	22,719,152	18,536,660
Loans to subsidiaries	9(b)	—	—	10,395,000	—
Available-for-sale financial assets	10	2,555,972	1,524,016	2,555,972	1,524,016
Land use rights	11	3,843,719	2,895,359	1,491,577	1,469,210
Power generation licence	12	3,898,121	3,811,906	—	—
Deferred income tax assets	29	374,733	316,699	212,522	—
Derivative financial assets	13	44,863	—	39,586	—
Goodwill	14	11,610,998	11,108,096	108,938	108,938
Other non-current assets	15	1,023,096	748,072	200,251	201,584
Total non-current assets		173,697,414	145,899,581	111,896,864	91,875,786
Current assets					
Inventories	16	4,083,986	5,169,847	1,699,440	2,831,030
Other receivables and assets	17	4,468,940	1,272,478	2,983,767	1,268,207
Accounts receivable	18	10,042,903	7,794,500	5,273,684	3,987,554
Loans to subsidiaries	9(b)	—	—	7,929,245	2,440,000
Derivative financial assets	13	141,886	15,479	—	—
Bank balances and cash	33	5,452,050	5,765,873	1,461,569	1,695,987
Total current assets		24,189,765	20,018,177	19,347,705	12,222,778

Total assets	197,887,179	165,917,758	131,244,569	104,098,564

	Note	The Company and its subsidiaries As at 31 December 2009	2008	The Company As at 31 December 2009	2008
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	12,055,383	12,055,383	12,055,383	12,055,383
Capital surplus		10,041,203	8,642,617	9,899,428	9,084,593
Surplus reserves	20	6,096,100	6,096,100	6,096,100	6,096,100
Currency translation differences		(362,067)	(534,433)	—	—
Retained earnings					
Proposed dividend	21	2,531,631	1,205,538	2,531,631	1,205,538
Others		11,761,933	9,364,115	10,262,965	9,241,881
		42,124,183	36,829,320	40,845,507	37,683,495
Minority interests		8,523,937	5,730,633	—	—
Total equity		50,648,120	42,559,953	40,845,507	37,683,495
Non-current liabilities					
Long-term loans	22	71,266,755	59,027,181	32,518,894	31,712,372
Long-term bonds	23	13,800,115	9,834,688	13,800,115	9,834,688
Deferred income tax liabilities	29	1,839,362	1,371,572	—	70,883
Derivative financial liabilities	13	850	17,242	—	—
Other non-current liabilities	24	750,369	620,922	562,675	490,659
Total non-current liabilities		87,657,451	70,871,605	46,881,684	42,108,602

	Note	The Company and its subsidiaries As at 31 December 2009	2008	The Company As at 31 December 2009	2008
Current liabilities					
Accounts payable and other liabilities	25	14,524,620	10,867,480	8,264,004	6,709,175
Taxes payables	26	650,800	420,464	309,861	180,772
Dividends payable		20,734	56,734	—	36,000
Salary and welfare payables		290,527	212,236	130,389	148,040
Derivative financial liabilities	13	13,403	542,442	—	—
Short-term bonds	27	10,101,460	5,095,936	10,101,460	5,095,936
Short-term loans	28	24,729,816	28,745,488	17,638,362	9,638,000
Current portion of long-term loans	22	9,250,248	6,545,420	7,073,302	2,498,544
Total current liabilities		59,581,608	52,486,200	43,517,378	24,306,467
Total liabilities		147,239,059	123,357,805	90,399,062	66,415,069
Total equity and liabilities		197,887,179	165,917,758	131,244,569	104,098,564

These financial statements have been approved for issue by the Board of Directors on 23 March 2010.

Liu Guoyue
Director

Fan Xiaxia
Director

The notes on pages 117 to 211 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2009
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company									
	Share capital	Capital surplus					Surplus reserves	Currency translation differences	Retained earnings	T
		Share premium	Hedging reserve	Available-for-sale financial asset revaluation reserve	Other capital reserve	Subtotal				
Balance as at 1 January 2008	12,055,383	8,506,769	—	1,674,449	482,204	10,663,422	6,096,100	—	18,113,675	46,928
Loss for the year ended 31 December 2008	—	—	—	—	—	—	—	—	(3,937,688)	(3,937
Other comprehensive income:										
Fair value changes from available-for-sale financial asset — gross	—	—	—	(2,084,517)	—	(2,084,517)	—	—	—	(2,084
Fair value changes from available-for-sale financial asset — tax	—	—	—	521,129	—	521,129	—	—	—	521
Proportionate share of other comprehensive income of investee measured using the equity method of accounting — gross	—	—	—	4,128	—	4,128	—	—	—	4
Proportionate share of other	—	—	—	(1,032)	—	(1,032)	—	—	—	(1

comprehensive income of investee measured using the equity method of accounting — tax										
Changes in fair value of effective portion of cash flow hedges — gross	—	—	(1,059,646)	—	—	(1,059,646)	—	—	—	(1,059
Changes in fair value of effective portion of cash flow hedges — tax	—	—	190,736	—	—	190,736	—	—	—	190
Cash flow hedges recorded in shareholders' equity reclassified to inventory — gross	—	—	638,469	—	—	638,469	—	—	—	638
Cash flow hedges recorded in shareholders' equity reclassified to inventory — tax	—	—	(114,924)	—	—	(114,924)	—	—	—	(114
Cash flow hedges recorded in shareholders' equity reclassified to exchange gain and bank charges, net — gross	—	—	(160,043)	—	—	(160,043)	—	—	—	(160
Cash flow hedges recorded in shareholders' equity reclassified to exchange gain and bank charges, net — tax	—	—	28,807	—	—	28,807	—	—	—	28
Currency translation differences	—	—	—	—	—	—	—	(534,433)	—	(534
Total comprehensive loss for the year ended 31 December 2008	—	—	(476,601)	(1,560,292)	—	(2,036,893)	—	(534,433)	(3,937,688)	(6,509
	—	—	—	—	—	—	—	—	—	

Acquisitions of subsidiaries (Note 39)										
Dividends relating to 2007 (Note 21)	—	—	—	—	—	—	—	—	(3,606,334)	(3,606
Net capital injection from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	
Acquisition of minority interest of subsidiaries	—	—	—	—	—	—	—	—	—	
Others	—	—	—	—	16,088	16,088	—	—	—	16
Balance as at 31 December 2008	12,055,383	8,506,769	(476,601)	114,157	498,292	8,642,617	6,096,100	(534,433)	10,569,653	36,829

	Attributable to equity holders of the Company									
	Share capital	Capital surplus					Surplus reserves	Currency translation differences	Retained earnings	To
		Share premium	Hedging reserve	Available-for-sale financial asset revaluation reserve	Other capital reserve	Subtotal				
Balance as at 1 January 2009	12,055,383	8,506,769	(476,601)	114,157	498,292	8,642,617	6,096,100	(534,433)	10,569,653	36,829,3
Profit for the year ended 31 December 2009	—	—	—	—	—	—	—	—	4,929,544	4,929,5
Other comprehensive income:										
Fair value changes from available-for-sale financial asset — gross	—	—	—	1,031,956	—	1,031,956	—	—	—	1,031,9
Fair value changes from available-for-sale financial asset — tax	—	—	—	(257,989)	—	(257,989)	—	—	—	(257,98
Proportionate share of other comprehensive income of investee measured using the equity method of accounting — gross	—	—	—	11,727	—	11,727	—	—	—	11,7
Proportionate share of other comprehensive income of investee measured using the equity method of accounting — tax	—	—	—	(2,932)	—	(2,932)	—	—	—	(2,93

Changes in fair value of effective portion of cash flow hedges — gross	—	—	859,498	—	—	859,498	—	—	—	859,4
Changes in fair value of effective portion of cash flow hedges — tax	—	—	(148,014)	—	—	(148,014)	—	—	—	(148,01
Cash flow hedges recorded in shareholders' equity reclassified to inventory — gross	—	—	(128,241)	—	—	(128,241)	—	—	—	(128,24
Cash flow hedges recorded in shareholders' equity reclassified to inventory — tax	—	—	16,277	—	—	16,277	—	—	—	16,2
Cash flow hedges recorded in shareholders' equity reclassified to exchange gain and bank charges, net — gross	—	—	(8,025)	—	—	(8,025)	—	—	—	(8,02
Cash flow hedges recorded in shareholders' equity reclassified to exchange gain and bank charges, net — tax	—	—	1,259	—	—	1,259	—	—	—	1,2
Cash flow hedges recorded in shareholders' equity reclassified to interest expense — gross	—	—	15,854	—	—	15,854	—	—	—	15,8
Cash flow hedges recorded in shareholders' equity reclassified to interest expense — tax	—	—	(3,963)	—	—	(3,963)	—	—	—	(3,96
Currency translation differences	—	—	—	—	—	—	—	172,366	—	172,3

Total comprehensive income for the year ended 31 December 2009	—	—	604,645	782,762	—	1,387,407	—	172,366	4,929,544	6,489,3
Acquisitions of subsidiaries (Note 39)	—	—	—	—	—	—	—	—	—	
Dividends relating to 2008 (Note 21)	—	—	—	—	—	—	—	—	(1,205,633)	(1,205,63
Net capital injection from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	
Others	—	—	—	—	11,179	11,179	—	—	—	11,1
Balance as at 31 December 2009	12,055,383	8,506,769	128,044	896,919	509,471	10,041,203	6,096,100	(362,067)	14,293,564	42,124,1

The notes on pages 117 to 211 are an integral part of these financial statements.

Statement of Changes in Equity

For the Year ended 31 December 2009
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company								Total equity
	Share capital	Capital surplus					Surplus reserves	Retained earnings	
		Share premium	Hedging Reserve	Available-for-sale financial asset revaluation reserve	Other capital reserve	Subtotal			
Balance as at 1 January 2008	12,055,383	8,506,769	—	1,667,037	465,415	10,639,221	6,096,100	15,852,955	44,643,659
Loss for the year ended 31 December 2008	—	—	—	—	—	—	—	(1,799,202)	(1,799,202)
Other comprehensive income:									
Fair value changes from available-for-sale financial asset — gross	—	—	—	(2,084,517)	—	(2,084,517)	—	—	(2,084,517)
Fair value changes from available-for-sale financial asset — tax	—	—	—	521,129	—	521,129	—	—	521,129
Total comprehensive loss for the year ended 31 December 2008	—	—	—	(1,563,388)	—	(1,563,388)	—	(1,799,202)	(3,362,590)
Dividends relating to 2007 (Note 21)	—	—	—	—	—	—	—	(3,606,334)	(3,606,334)
Others	—	—	—	—	8,760	8,760	—	—	8,760

Balance as at 31 December 2008	12,055,383	8,506,769	—	103,649	474,175	9,084,593	6,096,100	10,447,419	37,683,495
Balance as at 1 January 2009	12,055,383	8,506,769	—	103,649	474,175	9,084,593	6,096,100	10,447,419	37,683,495
Profit for the year ended 31 December 2009	—	—	—	—	—	—	—	3,552,810	3,552,810
Other comprehensive income:									
Fair value changes from available-for-sale financial asset — gross	—	—	—	1,031,956	—	1,031,956	—	—	1,031,956
Fair value changes from available-for-sale financial asset — tax	—	—	—	(257,989)	—	(257,989)	—	—	(257,989)
Changes in fair value of effective portion of cash flow hedges — gross	—	—	23,732	—	—	23,732	—	—	23,732
Changes in fair value of effective portion of cash flow hedges — tax	—	—	(5,934)	—	—	(5,934)	—	—	(5,934)
Cash flow hedges recorded in shareholders' equity reclassified to interest expense — gross	—	—	15,854	—	—	15,854	—	—	15,854
Cash flow hedges recorded in shareholders' equity reclassified to interest expense — tax	—	—	(3,963)	—	—	(3,963)	—	—	(3,963)
Total comprehensive income for the year ended 31 December 2009	—	—	29,689	773,967	—	803,656	—	3,552,810	4,356,466

Dividends relating to 2008 (Note 21)	—	—	—	—	—	—	—	(1,205,633)	(1,205,633)
Others	—	—	—	—	11,179	11,179	—	—	11,179
Balance as at 31 December 2009	12,055,383	8,506,769	29,689	877,616	485,354	9,899,428	6,096,100	12,794,596	40,845,507

The notes on pages 117 to 211 are an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the Year ended 31 December 2009
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Note	For the year ended 31 December 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before income tax expense		5,703,976	(4,791,556)
Adjustments to reconcile profit /(loss) before income tax expense to net cash provided by operating activities:			
Depreciation		8,572,103	7,752,706
Provision for impairment loss on property, plant and equipment		629,674	—
Amortization of land use rights		91,633	74,800
Amortization of other non-current assets		53,235	44,478
Amortization of housing loss		32,744	36,751
Provision for impairment on goodwill		—	130,224
Provision for doubtful accounts		677	10,951
Provision for inventory obsolescence		29,889	3,901
Loss on fair value changes		33,638	54,658
Investment income		(37,063)	(51,061)
Loss on disposals or write-off of property, plant and equipment		53,033	54,056
Unrealized exchange gain, net		(151,560)	(410,827)
Share of profits of associates		(756,164)	(72,688)
Interest income		(60,397)	(83,522)
Interest expense		4,260,400	4,064,779
Changes in working capital			
Inventories		1,328,674	(2,159,007)
Other receivables and assets		(374,736)	104,165
Accounts receivable		(2,361,918)	566,249
Restricted cash		(21,053)	21,247
Accounts payable and other liabilities		542,386	566,371
Taxes payable		(2,196,174)	(370,796)
Salary and welfare payables		(4,801)	(22,345)
Others		43,975	4,267
Interest received		59,919	72,940
Income tax expense paid		(491,100)	(414,848)
Net cash provided by operating activities		14,980,990	5,185,893

	Note	For the year ended 31 December 2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(22,426,098)	(27,893,520)
Proceeds from disposals of property, plant and equipment		39,272	25,336
Prepayments of land use rights		(167,435)	(76,050)
Increase in other non-current assets		(27,138)	(16,004)
Cash dividend received		540,182	381,854
Capital injections in associates		(548,500)	(281,754)
Cash paid for acquiring available-for-sale financial assets		—	(146,375)
Cash consideration paid for acquisitions		(2,355,762)	(21,772,563)
Acquisition of minority interest of a subsidiary		—	(67,485)
Cash from acquisitions of subsidiaries	39	419,885	1,624,108
Cash received on repayment of a loan receivable		—	254,255
Others		(354,667)	11,133
Net cash used in investing activities		(24,880,261)	(47,957,065)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of short-term bonds		9,960,000	4,980,000
Repayments of short-term bonds		(5,000,000)	(5,000,000)
Drawdown of short-term loans		40,892,075	57,696,660
Repayments of short-term loans		(29,251,246)	(39,483,770)
Drawdown of long-term loans		32,505,000	36,656,286
Repayments of long-term loans		(37,317,607)	(10,254,438)
Issuance of long-term bonds		3,939,850	3,933,302
Interest paid		(5,378,244)	(4,731,749)
Net capital injection from minority shareholders of the subsidiaries		260,533	1,162,562
Government grants		420,766	236,013
Dividends paid to shareholders of the Company		(1,241,633)	(3,570,334)
Dividends paid to minority shareholders of the subsidiaries		(253,971)	(301,662)
Others		(31,637)	(67,579)
Net cash provided by financing activities		9,503,886	41,255,291

Exchange gain/(loss)		55,742	(229,759)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(339,643)	(1,745,640)
Cash and cash equivalents as at beginning of the year		5,566,625	7,312,265
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	33	5,226,982	5,566,625

The notes on pages 117 to 211 are an integral part of these financial statements.

Notes to the Financial Statements
For the Year ended 31 December 2009
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

1. COMPANY ORGANIZATION AND PRINCIPAL ACTIVITIES

Huaneng Power International, Inc. (the "Company") was incorporated in the People's Republic of China (the "PRC") as a Sino-foreign joint stock limited company on 30 June 1994. The registered address of the Company is West Wing, Building C, Tianyin Mansion, 2C Fuxingmennan Street, Xicheng District, Beijing, the PRC. The Company and most of its subsidiaries are principally engaged in the generation and sale of electric power to the respective regional or provincial grid companies in the PRC. SinoSing Power Pte. Ltd. ("SinoSing Power") and its subsidiaries, newly acquired entities of the Company in 2008, are principally engaged in the power generation and sale in the Republic of Singapore ("Singapore").

The directors consider Huaneng International Power Development Corporation ("HIPDC") and China Huaneng Group ("Huaneng Group") as the parent company and ultimate parent company of the Company, respectively. Both HIPDC and Huaneng Group are incorporated in the PRC. Neither Huaneng Group nor HIPDC produced financial statements available for public use.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial assets and liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company and its subsidiaries' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

As at and for the year ended 31 December 2009, a portion of the Company and its subsidiaries' funding requirements for capital expenditures were partially satisfied by short-term financing. Consequently, as at 31 December 2009, the Company and its subsidiaries have a negative working capital balance of approximately RMB 35.4 billion. Taking into consideration of the expected operating cash flows of the Company and its subsidiaries and the undrawn available banking facilities, the Company and its subsidiaries will refinance and / or restructure certain short-term borrowings into long-term borrowings and also consider alternative sources of financing, where applicable. Therefore, the directors of the Company are of the opinion that the Company and its subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

The following new standards and amendments to standards are adopted for the first time to the financial year beginning 1 January 2009.

- International Accounting Standards ("IAS") 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' to be required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Company and its subsidiaries elected to present one performance statement and these financial statements have been prepared under the revised disclosure requirements. Since the change in accounting policy only impacts presentation, there is no impact on earnings per share.

- Amendments to IFRS 1 and IAS 27, 'Cost of an investment in a subsidiary, jointly controlled entity and associate'. The amendment to the part of IAS 27 is relevant to the Company and its subsidiaries. The amendments to IAS 27 remove the definition of cost method and require an entity to record dividend income from its subsidiaries or associates when its rights to receive the dividends are established, i.e. including dividend distributed out of pre-acquisition and post-acquisition retained earnings in the statement of comprehensive income. The Company and its subsidiaries early apply this amendment prospectively from 1 January 2009 in their separate financial statements. These amendments have no material impact on those financial statements in the current year.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14 'Segment reporting' and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in separation of port operations out of the original PRC geographical segment and included in 'all other segments' and Singapore geographical segment is grouped into the PRC geographical segment without port operations as a single 'power segment'. In addition, the segment information disclosed is based on the information for internal reporting purpose which is under China Accounting Standard for Business Enterprises ("PRC GAAP").

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as directors and certain senior management of the Company that make strategic decisions.

IFRS 8 amends certain disclosure items which the Company and its subsidiaries have restated comparative information accordingly.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

The following new standards and amendments to standards are adopted for the first time to the financial year beginning 1 January 2009. (Cont'd)

- Amendment to IFRS 7, 'Financial instruments: disclosures'. The amendment enhances the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires some specific quantitative disclosures for financial instruments on the lowest level in the hierarchy. It also requires the Company and its subsidiaries to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- The IASB has issued an improvement document in May 2008 and one of the amendments to IFRS 7 required the exclusion of interest income from net financial expenses. The Company and its subsidiaries have separately presented interest income in the consolidated statement of comprehensive income in the current year and restated prior period comparative accordingly. Since the change in accounting policy only impacts presentation, there is no impact on earnings per share.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are investees over which the Company and its subsidiaries have the power to exercise control, i.e. the power to govern the financial and operating policies and obtains benefits from the operating activities of the investees. When determining whether the Company and its subsidiaries exercise control over an investee, the impact from potential voting rights of the investee, such as currently convertible bonds and exercisable warrants, etc. is taken into account.

Subsidiaries are consolidated from the date when control is transferred to the Company and its subsidiaries. They are de-consolidated from the date when control ceases. All the significant intra-group balances, transactions and unrealized profit or loss are eliminated in the preparation of the consolidated financial statements. The portion of the shareholders' equity of the subsidiaries, which is not attributable to the parent company, is separately presented as minority interests in the shareholders' equity in the consolidated financial statements.

When there is any inconsistency on the accounting policies or financial period adopted between subsidiaries and the Company, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the Company.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Company and its subsidiaries (including acquisitions from common control shareholders). The acquisition cost is measured at the fair value of the assets given and liabilities incurred or assumed on the acquisition date, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. The excess of acquisition costs over the proportionate share of the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2(g)). If acquisition costs are less than the proportionate share of the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit and loss.

In balance sheet of the Company, investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(h)). Investment income from investments in subsidiaries is accounted for by the Company based on dividends received and receivable.

(ii) Transactions with minority interests

The Company and its subsidiaries regard transactions with minority interests as transactions with parties external to the Company and its subsidiaries. Disposals to minority interests result in gains and losses to the Company and its subsidiaries are recorded in profit and loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant equity share acquired of the carrying amounts of net assets of the subsidiaries.

(iii) Associates

Associates are investees over which the Company and its subsidiaries have significant influence on the financial and operation decisions. Investments in associates are initially recognized at cost and are subsequently measured using the equity method of accounting. The excess of the initial investment cost over the proportionate share of the fair value of identifiable net assets of investee acquired is included in the initial investment cost (Note 2(g)). Any shortfall of the initial investment cost to the proportionate share of the fair value of identifiable net assets of investee acquired is recognized in current period profit and loss and long-term investment cost is adjusted accordingly.

When applying equity method, the Company and its subsidiaries adjust net profit or loss of the investees, including the fair value adjustments on the net identifiable assets of the associates and the adjustments to align with the accounting policies of the Company and different financial periods. Current period investment income is then recognized based on the proportionate share of the Company and its subsidiaries in the investees' net profit or loss. Net losses of investees are recognized to the extent of book value of long-term equity investments and any other constituting long-term equity investments in investees in substance. The Company and its subsidiaries will continue to recognize investment losses and provision if they bear additional obligations which meet the recognition criteria under the provision standard.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Consolidation (Cont'd)

(iii) Associates (Cont'd)

The Company and its subsidiaries adjust the carrying amount of the investment and directly recognize into related other comprehensive income and equity items based on their proportionate share on other shareholders' other comprehensive income and equity movements of the investees other than net profit or loss, given there is no change in shareholding ratio. When the investees appropriate profit or declare dividends, the book value of long-term equity investments are reduced correspondingly by the proportionate share of the distribution. Profit or loss from transactions between the Company and its subsidiaries and the associates is eliminated to the extent of interest of the Company and its subsidiaries in the associates. Loss from transactions between the Company and its subsidiaries and the associates is fully recognized and not eliminated when there is evidence for asset impairment.

Gains and losses arising from dilution of investments in associates are recognized in the consolidated statement of comprehensive income.

In balance sheet of the Company, investments in associates are stated at costs less provision for impairment losses (Note 2(h)). Investment income from investments in associates is accounted for by the Company based on dividends received and receivable.

(c) Segment reporting

The Company and its subsidiaries determine the operation segment based on the internal organization structure, management requirement and internal reporting system and thereafter determine the reportable segment and present the segment information.

An operating segment represents a component of the Company and its subsidiaries that meets all the conditions below: (i) the component earns revenue and incurs expenses in its daily operating activities; (ii) chief operating decision makers of the Company and its subsidiaries can regularly review the operating results of the component in order to make decisions on allocating resources and assessing performance; (iii) the financial position, operating results, cash flows and other related financial information of the component are available. When the two or more operating segments exhibit similar economic characteristics and meet certain conditions, the Company and its subsidiaries will combine them as one reportable segment.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) Foreign currency translation (Cont'd)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate on the transaction dates. On balance sheet date, foreign currency monetary items are translated into functional currency at the spot exchange rate on balance sheet date. Exchange differences are directly expensed in current period profit and loss unless they arises from foreign currency loans borrowed for purchasing or construction of qualifying assets which is eligible for capitalization and qualifying cash flow hedges which are deferred in equity.

(iii) Group companies

The operating results and financial position of the foreign subsidiaries are translated into presentation currency as follows:

Asset and liability items in each balance sheet of foreign operations are translated at the closing rates at the balance sheet date; equity items excluding retained earnings are translated at the spot exchange rates at the date of the transactions. Income and expense items in the statement of comprehensive income of the foreign operations are translated at average exchange rates approximating the rate on transaction dates. All resulting translation differences above are recognized as a separate component of equity.

The cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated at average exchange rates approximating the rates at the dates when cash flows incurred. The impact of the foreign currency translation on the cash and cash equivalents is presented in the statement of cash flows separately.

When a foreign operation is partially disposed of or sold, translation differences that were recorded in equity are recognized in the statement of comprehensive income as part of the disposal gain or loss.

(e) Property, plant and equipment

Property, plant and equipment consists of port facilities, buildings, electric utility plant in service, transportation facilities, others and construction-in-progress ("CIP"). Property, plant and equipment acquired or constructed are initially recognized at cost and carried at the net value of cost less accumulated depreciation and accumulated impairment loss.

Cost of CIP comprises construction expenditures, other expenditures necessary for the purpose of preparing the CIP for its intended use and those borrowing costs incurred before the assets ready for intended use that are eligible for capitalization. CIP is not depreciated until such time as the relevant asset is completed and ready for its intended use.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Property, plant and equipment (Cont'd)

Subsequent costs about property, plant and equipment are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and its subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Other subsequent expenditures not qualifying for capitalization are charged in the current period profit or loss when they are incurred.

Depreciation of property, plant and equipment is provided based on book value less estimated residual value over estimated useful life using straight-line method. For those impaired property, plant and equipment, depreciation is provided based on book value after deducting impairment provision over estimated useful life. The estimated useful lives are as follows:

	Estimated useful lives
Port facilities	20 - 40 years
Buildings	8 - 35 years
Electric utility plant in service	5 - 35 years
Transportation facilities	6 - 14 years
Others	3 - 18 years

At the end of each year, the Company and its subsidiaries review the estimated useful life, residual value and the depreciation method of the property, plant and equipment for adjustment when necessary.

Property, plant and equipment is derecognized when they are disposed of, or expected that cannot bring economic benefit through use or disposal. The amount of disposal income arising from sale, transfer, disposal or write-off of the property, plant and equipment less book value and related tax expenses is recorded in 'operating expenses - others' in the statement of comprehensive income.

The carrying amount of property, plant and equipment is written down immediately to its recoverable amount when its carrying amount is greater than its recoverable amount (Note 2(h)).

(f) Power generation licence

The Company and its subsidiaries acquired the power generation licence as part of the business combination with Tuas Power Ltd. ("Tuas Power"). The power generation licence is initially recognized at fair value at the acquisition date. It is of indefinite useful life and is not amortized. It is tested annually for impairment and carried at cost less accumulated impairment loss. Useful life of the power generation licence is reviewed by the Company and its subsidiaries each financial period to determine whether events and circumstances continue to support the indefinite useful life assessment.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) Goodwill

Goodwill represents the excess of the acquisition cost over the share of the Company and its subsidiaries on the fair value of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill arising from acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less any accumulated impairment loss. Impairment loss on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

When performing impairment test, the carrying amount of goodwill is allocated to cash-generating units ("CGUs") according to synergy effect arising from the business combination (Note 14). The Company and its subsidiaries allocate goodwill to those CGUs based on operating regions.

(h) Impairment of investments in subsidiaries, associates and non-financial assets

Separately presented goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually regardless of whether there are indications of impairment. Property, plant and equipment, intangible assets with definite useful lives and long-term equity investments not accounted for as financial assets are tested for impairment when there is any impairment indication on balance sheet date. If impairment test result shows that the recoverable amount of asset is less than its book value, that difference is recognized as impairment provision. Recoverable amount is the higher of fair value less cost to sell of the asset and present value of its expected future cash flows. Asset impairment is calculated and recognized on individual asset basis. If it is difficult to estimate recoverable amount for the individual assets, the recoverable amount is determined based on the recoverable amount of the CGU to which asset belongs. CGU is the smallest group of assets that independently generates cash flows.

Except for goodwill, all impaired non-financial assets are subject to review for possible reversal of impairment at each reporting date.

(i) Financial assets

Financial assets are classified as the following categories at initial recognition: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the intention and ability of the Company and its subsidiaries to hold the financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and designated upon initial recognition as at fair value through profit or loss. Derivatives are classified as held for trading unless they are designated as hedges.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Financial assets (Cont'd)

(ii) Loans and receivables

Loans and receivables refer to the non-derivative financial assets for which there is no quotation in the active market with fixed or determinable amount. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which these are classified as non-current assets. Loans and receivables are primarily classified as 'accounts receivable', 'other receivables and assets', 'loans to subsidiaries', 'other non-current assets' and 'bank balances and cash' in the balance sheets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of financial assets at fair value through profit or loss, loans and receivables and held-to-maturity financial assets. They are included in current assets when management intends to dispose of the available-for-sale financial assets within 12 months of the balance sheet date.

(iv) Recognition and measurement

Regular purchases and sales of financial assets are recognized at fair value initially on trade-date-the date on which the Company and its subsidiaries commit to purchase or sell the asset. Transaction costs relating to financial assets at fair value through profit or loss are directly expensed in the profit and loss as incurred. Transaction costs for other financial assets are included in the carrying amount of asset at initial recognition. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or all risks and rewards related to the ownership of the financial assets have been transferred to the transferee.

Financial assets at fair value through profit or loss and available-for-sale are subsequently measured at fair value. When an active market exists for a financial instrument, fair value is determined based on quoted prices in the active market. When no active market exists, fair value is determined by using valuation techniques. Valuation techniques includes making reference to the prices used by knowledgeable and willing parties in a recent transaction, the current fair value of other financial assets that are same in substance, discounted cash flow method and option pricing model, etc.. When applying valuation techniques, the Company and its subsidiaries use market parameters to the fullest extent possible and use specific parameters of the Company and its subsidiaries as little as possible. Loans and receivables are carried at amortized cost using effective interest method.

Changes in the fair value of financial assets at fair value through profit or loss are recorded in 'loss from fair value change'.

Except for impairment loss and translation differences on monetary financial assets, changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income. When these financial assets are derecognized, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'investment income'. Dividends on available-for-sale financial assets are recorded in 'investment income' when the right of the Company and its subsidiaries to receive payments is established.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Financial assets (Cont'd)

(v) Impairment of financial assets

Except for financial assets at fair value through profit or loss, the Company and its subsidiaries perform assessment on the book value of financial assets on balance sheet date. Provision for impairment is made when there is objective evidence showing that a financial asset is impaired.

When there is significant or prolonged decline in fair value of the available-for-sale financial asset, changes in the fair value that originally recorded in equity is recorded as impairment loss. Impairment loss on available-for-sale equity instrument is not reversed through profit and loss.

When financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to present value of estimated future cash flows (excluding future credit losses that have not been incurred). The impaired amount is recognized as assets impairment loss in the current period. If there is objective evidence that the value of the financial assets is recovered as a result of objective changes in circumstances occurring after the impairment loss was originally recognized, the originally recognized impairment loss is reversed through profit and loss. For the impairment test of receivables, please refer to Note 2(j).

(vi) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Gain or loss arising from subsequent change in the fair value of derivative financial instruments is recognized in profit and loss except for those effective portion of gain or loss on the derivative financial instruments designated as cash flow hedges which is recognized directly in other comprehensive income. Cash flow hedge represents a hedge against the exposure to variability in cash flows, which such cash flow is originated from a particular risk associated with a highly probable forecast transactions and variable rate borrowings and could affect the statement of comprehensive income.

The hedged items of cash flow hedge are the designated items with respect to the risks associated with future cash flow change of the Company and its subsidiaries. Hedging instruments are designated derivative for cash flow hedge whose cash flows are expected to offset changes in the cash flows of a hedged item.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months.

The Company and its subsidiaries document their assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The Company and its subsidiaries apply ratio analysis method to evaluate the ongoing effectiveness of the cash flow hedge.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Financial assets (Cont'd)

(vi) Derivative financial instruments and hedging activities (Cont'd)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within 'loss from fair value change'.

Amounts accumulated in equity are reclassified to the profit and loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of comprehensive income within 'interest expense'. The gain or loss relating to the effective portion of exchange forward hedging foreign currency denominated payables is recognized in the statement of comprehensive income within 'exchange gain and bank charges, net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. In case the Company and its subsidiaries expect all or a portion of net loss previously recognized directly in other comprehensive income will not be recovered in future financial periods, the irrecoverable portion will be reclassified into profit and loss.

When a hedging instrument expires or is sold, terminated or exercised or when a hedge no longer meets the criteria for hedge accounting, the Company and its subsidiaries will discontinue hedge accounting. Any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within 'loss from fair value change'.

(j) Loans and receivables

Loans and receivables primarily including accounts receivable, notes receivable, other receivables, loan to subsidiaries, etc. are recognized initially at fair value. Loans and receivables are subsequently measured at amortized cost less provision for doubtful debts using the effective interest method.

When there is objective evidence that the Company and its subsidiaries will not be able to collect all amounts due according to the original terms of the receivables, impairment test is performed on individual account and related provision for doubtful accounts is made based on the shortfall between carrying amounts and respective present value of estimated future cash flows. The carrying amounts of the receivables are reduced through the use of allowance accounts, and the amount of the provision is recognized in the statement of comprehensive income within 'operating expenses - others'. When a receivable is uncollectible, it is written off against the allowance account for the receivable. Subsequent recoveries of amounts previously written off are credited against 'operating expenses - others' in the statement of comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(k) Inventories

Inventories include fuel for power generation, materials for repairs and maintenance and spare parts, etc. and are stated at lower of cost and net realizable values.

Inventories are initially recorded at cost and are charged to fuel costs or repairs and maintenance respectively when used, or capitalized to property, plant and equipment when installed, as appropriate, using weighted average cost basis. Cost of inventories includes costs of purchase and transportation costs.

When the forecast transaction that is hedged results in the recognition of the inventory, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the inventory.

Provision for inventory obsolescence is determined by the excess of cost over net realizable value. Net realizable values are determined based on the estimated selling price less estimated conversion costs during power generation, selling expenses and related taxes in the ordinary course of business.

(l) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(m) Cash and cash equivalents

Cash listed in the statement of cash flows represents cash on hand and deposits held at call with banks. Cash equivalents refers to short-term (3 months or less), highly-liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(n) Borrowings

Borrowings are recognized initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Company and its subsidiaries have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Payables

Payables primarily including accounts payable and other liabilities, etc. are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Taxation

(i) Value-added tax ("VAT")

The domestic power sales of the Company and its subsidiaries are subjected to VAT. VAT payable is determined by applying 17% on the taxable revenue after offsetting deductible input VAT of the period.

(ii) Goods and service tax ("GST")

The overseas power sales of the Company and its subsidiaries are subjected to goods and service tax of the country where they operate. GST payable is determined by applying 7% on the taxable revenue after offsetting deductible GST of the period.

(iii) Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax expense is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

On 16 March 2007, the National People's Congress promulgated the "Corporate Income Tax Law of the People's Republic of China" which became effective from 1 January 2008. Domestic entities of the Company and its subsidiaries which originally enjoyed preferential tax treatments will transit to 25% gradually in five years from 1 January 2008 onwards. Domestic subsidiaries with original applicable tax rate of 33% apply tax rate of 25% from 1 January 2008 onwards. Pursuant to Guo Fa [2007]39 document, starting from 1 January 2008, entities which originally enjoyed two-year tax exemption and three-year 50% reduction tax treatments, continue to follow the original tax laws, administrative regulations and relevant documents until respective expiration dates. However, those not being entitled to preferential tax treatment as a result of tax losses, the preferential period started from 2008 onwards.

The income tax rate applicable to Singapore subsidiaries changed from 18% in 2008 to 17% from 1 January 2009 onwards.

Pursuant to Guo Shui Han [2009]33 document, starting from 1 January 2008, the Company and its branches calculate and pay income tax on a combined basis according to relevant tax laws and regulations. The original regulation specifying locations for power plants and branches of the Company to make enterprise income tax payments was abolished. The income tax of subsidiaries remains to be calculated individually based on their individual operating results.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Taxation (Cont'd)

(iii) Current and deferred income tax (Cont'd)

Deferred income tax assets and liabilities are recognized based on the differences between tax bases of assets and liabilities and respective book value (temporary differences). For deductible tax losses or tax credit that can be brought forward in accordance with tax law requirements for deduction of taxable income in subsequent years, it is considered as temporary differences and related deferred income tax assets are recognized. No deferred income tax liability is recognized for temporary difference arising from initial recognition of goodwill. For those temporary differences arising from initial recognition of an asset or liability in a non-business combination transaction that affects neither accounting profit nor taxable profit (or deductible loss) at the time of the transaction, no deferred income tax asset and liability is recognized.

The Company and its subsidiaries recognize deferred income tax assets to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference, deductible tax loss and tax credit.

On the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or liability is settled.

Deferred income tax assets and deferred income tax liabilities are offset when meeting all the conditions below:

(1) The Company and its subsidiaries have the legal enforceable right to settle current income tax assets and current income tax liabilities;

(2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax authority of the Company and its subsidiaries.

(q) Employee benefits

Employee benefits include all expenditures relating to the employees for their services. The Company and its subsidiaries recognize employee benefits as liabilities during the accounting period when employees render services and allocates to related cost of assets and expenses based on different beneficiaries.

In connection with pension obligations, the Company and its subsidiaries operate various defined contribution plans in accordance with the local conditions and practices in the countries and provinces in which they operate. A defined contribution plan is a pension plan under which the Company and its subsidiaries pay fixed contributions into a separate publicly administered pension insurance plan on mandatory and voluntary bases. The Company and its subsidiaries have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expenses when incurred. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in the future payment is available.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(r) Government grants

Government grants are recognized when the Company and its subsidiaries fulfill the conditions attaching to them and are able to receive them. When government grants are received in the form of monetary assets, they are measured at the amount received or receivable. When the grant is in the form of non-monetary assets, it is measured at fair value. When fair value cannot be measured reliably, nominal amount is assigned.

Asset-related government grant is recognized as deferred income and is amortized evenly in profit and loss over the useful lives of related assets.

Income-related government grant that is used to compensate subsequent related expenses or losses of the Company and its subsidiaries are recognized as deferred income and recorded in the profit and loss when related expenses or losses incurred. When the grant is used to compensate expenses or losses that were already incurred, they are directly recognized in current period profit and loss.

(s) Revenue and income recognition

Revenue is recognized based the following methods:

Revenue and income are recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and its subsidiaries and the amount of the revenue and income can be measured reliably.

(i) Electricity sales revenue

Electricity sales revenue represents the fair value of the consideration received or receivable for electricity sold in the ordinary course of the activities of the Company and its subsidiaries (net of VAT or GST and after taking into account amounts received in advance). Revenue is earned and recognized upon transmission of electricity to the customers and the power grid controlled and owned by the respective regional or provincial grid companies.