

HUANENG POWER INTERNATIONAL INC

Form 20-F

April 19, 2010

HUANENG POWER INTERNATIONAL, INC.

Annual Report On Form 20-F  
2009

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As filed with the Securities and Exchange Commission on April 19, 2010

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

(Mark One)

- £ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR
- R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009  
OR
- £ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR
- £ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report .....

For the transaction period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-13314

HUANENG POWER INTERNATIONAL, INC.  
(Exact name of Registrant as specified in its charter)

PEOPLE'S REPUBLIC OF CHINA  
(Jurisdiction of incorporation or organization)

WEST WING, BUILDING C, TIANYIN MANSION,  
2C, FUXINGMENNAN STREET, BEIJING, PEOPLE'S REPUBLIC OF CHINA  
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of each exchange on which registered
	New York Stock Exchange

Ordinary American Depositary  
Shares

Overseas Listed Foreign Shares of RMB1.00  
each

New York Stock  
Exchange\*

Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE  
(Title of Class)

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE  
(Title of Class)

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Domestic Shares of RMB1.00 each	9,000,000,000
Overseas Listed Foreign Shares of RMB1.00 each	3,055,383,440

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  R                      No  £

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  £                      No  R

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  R                      No  £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  R                      Accelerated filer  £                      Non-accelerated filer  £

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  £                      International Financial Reporting Standards  
as issued by the International Accounting  
Standards Board  R                      Other  £

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  £                      Item 18  £

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  £                      No  R

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\* Not for trading, but only in connection with the registration of American Depositary Shares.

## TABLE OF CONTENTS

		Page
<b>PART I.</b>		<b>1</b>
ITEM 1	Identity of Directors, Senior Management and Advisers	1
ITEM 2	Offer Statistics and Expected Timetable	1
ITEM 3	Key Information	1
	A. Selected financial data	1
	B. Capitalization and indebtedness	2
	C. Reasons for the offer and use of proceeds	2
	D. Risk factors	3
ITEM 4	Information on the Company	9
	A. History and development of the Company	9
	B. Business overview	11
	C. Organizational structure	20
	D. Property, plants and equipment	22
ITEM 4A	Unresolved Staff Comments	37
ITEM 5	Operating and Financial Review and Prospects	37
	A. General	37
	B. Operating results	39
	C. Financial position	48
	D. Liquidity and cash resources	49
	E. Trend information	54
	F. Employee benefits	55
	G. Guarantee on loans and restricted assets	55
	H. Off-balance sheet arrangements	55
	I. Performance of significant investments and their prospects	55
	J. Tabular disclosure of contractual obligations and commercial commitments	56
	K. Business plan	56
ITEM 6	Directors, Senior Management and Employees	57
	A. Directors, members of the supervisory committee and senior management	57
	B. Compensation for Directors, Supervisors and Executive Officers	61
	C. Board practice	62
	D. Employees	63
	E. Share ownership	64
ITEM 7	Major Shareholders and Related Party Transactions	64
	A. Major shareholders	64
	B. Related party transactions	65
	C. Interests of experts and counsel	69
ITEM 8	Financial Information	69
	A. Consolidated statements and other financial information	69
	B. Significant changes	70
ITEM 9	The Offer and Listing	70
	A. Offer and listing details and markets	70
ITEM 10	Additional Information	71

	A.	Share capital	71
	B.	Memorandum and articles of association	71
	C.	Material contracts	77
	D.	Exchange controls	77
	E.	Taxation	78
	F.	Dividends and paying agents	82
	G.	Statement by experts	82
	H.	Documents on display	82
	I.	Subsidiary information	83
	ITEM 11	Quantitative and Qualitative Disclosures About Market Risk	83
	ITEM 12	Description of Securities Other than Equity Securities	85
PART II.			87
	ITEM 13	Defaults, Dividend Arrearages and Delinquencies	87
	ITEM 14	Material Modifications to the Rights of Security Holders and Use of Proceeds	87
	ITEM 16	Reserved	87
	ITEM 16A	Audit Committee Financial Expert	87
	ITEM 16B	Code of Ethics	88

ITEM 16C	Principal Accountant Fees and Services	88
ITEM 16D	Exemptions from the Listing Standards for Audit Committees	89
ITEM 16E	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	89
ITEM 16F	Change in Registrant's Certifying Accountant	89
ITEM 16G	Corporate Governance	89
ITEM 17	Financial Statements	91
ITEM 18	Financial Statements	91
ITEM 19	Exhibit	91

## INTRODUCTION

We maintain our accounts in Renminbi yuan ("Renminbi" or "RMB"), the lawful currency of the People's Republic of China (the "PRC" or "China"). References herein to "US\$" or "US Dollars" are to United States Dollars, references to "HK\$" are to Hong Kong Dollars, and references to "S\$" are to Singapore Dollars. References to ADRs and ADSs are to American Depositary Receipts and American Depositary Shares, respectively. Translations of amounts from Renminbi to US Dollars are solely for the convenience of the reader. Unless otherwise indicated, any translations from Renminbi to US Dollars or from US Dollars to Renminbi were translated at the average rate announced by the People's Bank of China (the "PBOC Rate") on December 31, 2009 of US\$1.00 to RMB6.8282. No representation is made that the Renminbi or US Dollar amounts referred to herein could have been or could be converted into US Dollars or Renminbi, as the case may be, at the PBOC Rate or at all.

References to "A Shares" are to common tradable shares issued to domestic shareholders.

References to the "central government" refer to the national government of the PRC and its various ministries, agencies and commissions.

References to the "Company", "we", "our" and "us" include, unless the context requires otherwise, Huaneng Power International, Inc. and the operations of our power plants and our construction projects.

References to "HIPDC" are to Huaneng International Power Development Corporation and, unless the context requires otherwise, include the operations of the Company prior to the formation of the Company on June 30, 1994.

References to "Huaneng Group" are to China Huaneng Group.

References to the "key contracts" refer to coal purchase contracts entered into between the Company and coal suppliers for the amount of coals at the annual national coal purchase conferences attended by, among others, representatives of power companies, coal suppliers and railway authorities. These conferences were coordinated and sponsored by National Development and Reform Commission ("NDRC"). The Company enjoys priority railway transportation services with respect to coal purchased under such contracts. Starting from 2008, NDRC ceased to coordinate annual national coal purchase conference. At the end of each year subsequent to 2008, the Ministry of Railways will promulgate the railway transportation capacity plan for the next year. References to the "key contracts" for the year 2008 and thereafter refer to coal purchase contracts entered into between the Company and coal suppliers under the guidance of such railway transportation capacity plan, which, once confirmed by the Ministry of Railways, secures the railway transportation capacity for the coal purchased thereunder.

References to "local governments" in the PRC are to governments at all administrative levels below the central government, including provincial governments, governments of municipalities directly under the central government, municipal and city governments, county governments and township governments.

References to "power plants" or "our power plants" are to the power plants that are wholly-owned by the Company or to the power plants in which the Company owns majority equity interests.

References to "power companies" or "our power companies" are to the power companies in which we hold minority equity interests.

References to the "PRC Government" include the central government and local governments.



References to "provinces" include provinces, autonomous regions and municipalities directly under the central government.

References to "Singapore" are to the Republic of Singapore.

References to the "State Plan" refer to the plans devised and implemented by the PRC Government in relation to the economic and social development of the PRC.

References to "tons" are to metric tons.

Previously, the Overseas Listed Foreign Shares were also referred to as the "Class N Ordinary Shares" or "N Shares". Since January 21, 1998, the date on which the Overseas Listed Foreign Shares were listed on The Stock Exchange of Hong Kong Limited by way of introduction, the Overseas Listed Foreign Shares have been also referred to as "H Shares".

## GLOSSARY

actual generation	The total amount of electricity generated by a power plant over a given period of time.
auxiliary power	Electricity consumed by a power plant in the course of generation.
availability factor	For any period, the ratio (expressed as a percentage) of a power plant's available hours to the total number of hours in such period.
available hours	For a power plant for any period, the total number of hours in such period less the total number of hours attributable to scheduled maintenance and planned overhauls as well as to forced outages, adjusted for partial capacity outage hours.
capacity factor	The ratio (expressed as a percentage) of the gross amount of electricity generated by a power plant in a given period to the product of (i) the number of hours in the given period multiplied by (ii) the power plant's installed capacity.
demand	For an integrated power system, the amount of power demanded by consumers of energy at any point in time.
dispatch	The schedule of production for all the generating units on a power system, generally varying from moment to moment to match production with power requirements. As a verb, to dispatch a plant means to direct the plant to operate.
GW	Gigawatt. One million kilowatts.
GWh	Gigawatt-hour. One million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power plants.
installed capacity	The manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW.
kV	Kilovolt. One thousand volts.
kW	Kilowatt. One thousand watts.
kWh	Kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour.
MVA	Million volt-amperes. A unit of measure used to express the capacity of electrical transmission equipment such as transformers.
MW	Megawatt. One million watts. The installed capacity of power plants is generally expressed in MW.
MWh	Megawatt-hour. One thousand kilowatt-hours.

peak load                      The maximum demand on a power plant or power system during a specific period of time.

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planned generation	An annually determined target gross generation level for each of our operating power plants used as the basis for determining planned output.
total output	The actual amount of electricity sold by a power plant in a particular year, which equals total generation less auxiliary power.
transmission losses	Electric energy that is lost in transmission lines and therefore is unavailable for use.

## PART I.

## ITEM Identity of Directors, Senior Management and Advisers

1

Not applicable.

## ITEM Offer Statistics and Expected Timetable

2

Not applicable.

## ITEM Key Information

3

## A. Selected financial data

Our consolidated balance sheet data as of December 31, 2009 and 2008 and the consolidated income statement and cash flow data for each of the years in the three-year period ended December 31, 2009 are derived from the historical financial statements included herein. Our consolidated balance sheet data as of December 31, 2007, 2006 and 2005 and income statement and cash flow data for each of the years in the two-year period ended December 31, 2006, are derived from the historical financial statements not included herein. The revenue and other income has been reclassified to consistent with the current year's presentation. The Selected Financial Data should be read in conjunction with the consolidated financial statements and "Item 5 – Operating and Financial Review and Prospects". The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Selected Financial Data may not be indicative of future earnings, cash flows or financial position.

	Year Ended December 31,					
	2005	2006	2007	2008	2009	2009
RMB and US Dollars in thousands except per share data	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)(1)
<b>Income Statement Data</b>						
<b>IFRS</b>						
Operating revenue	40,370,261	44,422,501	49,892,049	67,835,114	76,862,896	11,256,685
Sales tax	(113,475 )	(148,057 )	(139,772 )	(106,385 )	(151,912 )	(22,248 )
Operating expenses	(33,245,435)	(35,705,591)	(41,817,349)	(68,964,955)	(67,537,281)	(9,890,934 )
Profit/ (Loss) from operations	7,011,351	8,568,853	7,934,928	(1,236,226 )	9,173,703	1,343,503
Interest income	53,685	51,910	53,527	83,522	60,397	8,845
Financial expenses, net	(1,178,076 )	(1,523,214 )	(1,927,988 )	(3,707,943 )	(4,309,325 )	(631,107 )
Investment income	60,872	28,415	585,379	51,061	56,675	8,300
Gain/ (Loss) on fair value changes	-	100,180	87,132	(54,658 )	(33,638 )	(4,926 )
	644,376	790,629	586,323	72,688	756,164	110,741

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Share of profits of associates						
Profit/ (Loss) before tax	6,592,208	8,016,773	7,319,301	(4,791,556 )	5,703,976	835,356
Income tax						
(expense)/benefit	(1,044,297 )	(1,127,699 )	(838,270 )	239,723	(593,787 )	(86,961 )
Profit/ (Loss) for the year	5,547,911	6,889,074	6,481,031	(4,551,833 )	5,110,189	748,395
Attributable to:						
Equity holders of the						
Company	4,871,794	6,071,154	6,161,127	(3,937,688 )	4,929,544	721,939
Minority interests	676,117	817,920	319,904	(614,145 )	180,645	26,456
Basic earnings/(loss) per share						
	0.40	0.50	0.51	(0.33 )	0.41	0.06
Diluted earnings/(loss) per share						
	0.40	0.50	0.51	(0.33 )	0.41	0.06

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RMB and US Dollars in thousands	2005	2006	As of December 31,		2009	2009
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)(1)
<b>Balance Sheet Data</b>						
<b>IFRS</b>						
Current assets	12,063,175	13,564,516	18,551,059	20,018,177	24,189,765	3,542,627
Property, plant and equipment	78,997,297	90,444,225	90,125,919	116,737,198	140,777,336	20,617,049
Available-for-sale financial assets	1,033,225	1,458,759	3,462,158	1,524,016	2,555,972	374,326
Investments in associates	4,593,984	5,418,213	8,731,490	8,758,235	9,568,576	1,401,332
Land use rights and other non- current assets	2,016,144	2,282,884	2,658,583	3,643,431	4,911,678	719,322
Power generation licence	-	-	-	3,811,906	3,898,121	570,886
Deferred income tax assets	64,075	98,429	211,654	316,699	374,733	54,880
Goodwill	671,796	671,796	555,266	11,108,096	11,610,998	1,700,448
Total assets	99,439,696	113,938,822	124,296,129	165,917,758	197,887,179	28,980,870
Current liabilities	(23,107,142)	(26,842,684)	(31,376,561)	(52,486,200)	(59,581,608)	(8,725,815)
Non-current liabilities	(30,188,367)	(36,487,446)	(40,839,926)	(70,871,605)	(87,657,451)	(12,837,563)
Total liabilities	(53,295,509)	(63,330,130)	(72,216,487)	(123,357,805)	(147,239,059)	(21,563,378)
Net assets	46,144,187	50,608,692	52,079,642	42,559,953	50,648,120	7,417,492
Total equity	46,144,187	50,608,692	52,079,642	42,559,953	50,648,120	7,417,492

RMB and US Dollars in thousands except per share data	2005	2006	Year Ended December 31,		2009	2009
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)(1)
<b>Cash Flow Data</b>						
<b>IFRS</b>						
Purchase of property, plant and equipment	(13,842,293)	(15,998,575)	(14,223,310)	(27,893,520)	(22,426,098)	(3,284,335)
Net cash provided by operating activities	10,652,419	14,005,841	12,078,833	5,185,893	14,980,990	2,193,988
Net cash used in investing activities	(15,413,369)	(15,915,542)	(16,257,355)	(47,957,065)	(24,880,261)	(3,643,751)
Net cash (used in) / provided by financing activities	5,119,559	2,473,002	8,287,893	41,255,291	9,503,886	1,391,858



## Other Financial Data

## IFRS

Dividend declared per share	0.25	0.28	0.30	0.10	0.21	0.03
Number of ordinary shares ('000)	12,055,383	12,055,383	12,055,383	12,055,383	12,055,383	12,055,383

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Note:

(1) The US Dollar data has been translated from RMB solely for convenience at the PBOC Rate on December 31, 2009 of US\$1.00 to RMB6.8282. See “Item 10 Additional Information — Exchange controls for more information on exchange rates between RMB and US Dollars”.

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk factors

Risks relating to our business and the PRC's power industry

Government regulation of on-grid power tariffs and other aspects of the power industry may adversely affect our business

Similar to electric power companies in other countries, we are subject to governmental and electric grid regulations in virtually all aspects of our operations, including the amount and timing of electricity generations, the setting of on-grid tariffs, the performance of scheduled maintenance and compliance with power grid control and dispatch directives and environment protection. There can be no assurance that these regulations will not change in the future in a manner which could adversely affect our business.

The on-grid tariffs for our planned output are subject to a review and approval process involving the NDRC and the relevant provincial government. Prior to April 2001, the on-grid tariffs of our planned output were designed to enable us to recover all operating and debt servicing costs and to earn a fixed rate of return. Since April 2001, however, the PRC government has started to gradually implement a new on-grid tariff-setting mechanism based on the operating terms of power plants as well as the average costs of comparable power plants. Pursuant to the NDRC circular issued in June 2004, the on-grid tariffs for our newly built power generating units commencing operation from June 2004 have been set on the basis of the average cost of comparable units adding tax and reasonable return in the regional grid. Any future reductions in our tariffs, or our inability to raise tariffs (for example, to cover any increased costs we may have to incur) as a result of the new on-grid tariff-setting mechanism, may adversely affect our revenue and profit.

In addition, the PRC government started in 1999 to experiment with a program to effect power sales through competitive bidding in some of the provinces where we operate our power plants. The on-grid tariffs for power sold through competitive bidding are generally lower than the pre-approved on-grid tariffs for planned output. Although the power sales through competitive bidding in the last few years constituted only a small fraction of our total output, the PRC government is in the process of gradually expanding the program with a view to create a market-oriented electric power industry. Any increased power sales through competitive bidding may reduce our on-grid tariffs and adversely affect our revenue and profits.

Furthermore, the PRC government started in 2009 to promote the practice of direct power purchase by large power end-users. Pursuant to the circular jointly issued by NDRC, The State Electricity Regulatory Commission (“SERC”) and China National Energy Administration in June 2009, the direct power purchase price consists of direct transaction price, on-grid dispatch and distribution price and governmental levies and charges, in which the direct transaction price shall be freely determined through negotiation between the power generation company and the large power end-user. The price of direct power purchase shall be subject to the demand in the power market, and may increase due to power supply shortfall. In terms of power generation company engaged in direct power purchase, direct power sales constitute a portion of the total power sales, thus affecting the on-grid power sales of the company. As of December 31, 2009, most of the provinces and municipalities in China have not promulgated detailed implementation rules with respect to direct power purchase. Furthermore, the scale and mode of the transaction are also subject to the structure and level of development of the local economy. Although the direct power purchase may act as an alternative channel for our power sales, there is uncertainty as to the effect of the practice of direct power purchase over our operating results. The on-grid tariff-setting mechanism is evolving with the reforming of the PRC electric power industry. There is no assurance that it will not change in a manner which could adversely affect our business and results of operations. See “Item 4 Information of the Company – B. Business Overview – Pricing Policy”.

If our power plants receive less dispatching than planned generation, the power plants will sell less electricity than planned

Our profitability depends, in part, upon each of our power plants generating electricity at a level sufficient to meet or exceed the planned generation, which in turn will be subject to local demand for electric power and dispatching to the grids by the dispatch centres of the local grid companies.

The dispatch of electric power generated by a power plant is controlled by the dispatch centre of the applicable grid companies pursuant to a dispatch agreement with us and to governmental dispatch regulations. In each of the markets we operate, we compete against other power plants for power sales. No assurance can be given that the dispatch centres will dispatch the full amount of the planned generation of our power plants. A reduction by the dispatch centre in the amount of electric power dispatched relative to a power plant's planned generation could have an adverse effect on the profitability of our operations. However, we have not encountered any such event in the past.

In August 2007, General Office of the State Council issued a notice, providing that the energy saving and electricity dispatch shall consolidate with the development of the power market, which optimize the power market. The SERC is conducting research on how to effectively combine the energy saving and electricity dispatch with the development of the power market, and the detailed measures are still in the process of drafting. In October 2008, the SERC approved the trial implementation of the policy of energy saving and electricity dispatch in certain pilot provinces. There can be no assurance that such implementation will not results in any decrease in the amount of the power dispatched of any of our power plants.

The power industry reform may affect our business

PRC government in 2002 announced and started to implement measures to further reform the power industry, with the ultimate goal to create a more open and fair power market. As part of the reform, five power generating companies, including Huaneng Group, were created or restructured to take over all the power generation assets originally belonging to the State Power Corporation of China. In addition, two grid companies were created to take over the power transmission and distribution assets originally belonging to the State Power Corporation of China. An independent power supervisory commission, the SERC, was created to regulate the power industry. It is uncertain how these reform measures and any further reforms are going to be implemented and how they will impact our business.

On April 6, 2007, the PRC State Council issued the Opinions on Implementing Further Reform in Power Industry during the “Eleventh Five-Year Plan” period, or the Implementing Opinions, which confirm the direction of reform and present further guidance. According to the Implementing Opinions, the government encourages environment protection and renovation and replacement of outdated generating units. The further reform will not only bring opportunities to power industry but also intensify the competition which may affect our business.

We are effectively controlled by Huaneng Group and HIPDC, whose interests may differ from those of our other shareholders

Huaneng Group, directly or through its wholly-owned subsidiary, and HIPDC directly hold 8.92% and 42.03% of our total outstanding shares respectively. As Huaneng Group is HIPDC’s parent company, they may exert effective control over us in concert. Their interests may sometimes conflict with those of our other minority shareholders. There is no assurance that Huaneng Group and HIPDC will always vote their shares, or direct the directors nominated by them to act in a way that will benefit our other minority shareholders.

Disruption in coal supply and its transportation as well as increase in coal price may adversely affect the normal operation of our power plants

A substantial majority of our power plants are fueled by coal. We have obtained coal for our power plants through a combination of purchases pursuant to the key contracts and purchases in the open market. We have not experienced shutdowns or reduced electricity generation caused by inadequate coal supply or transportation services, there can be no assurance that, in the event of national coal supply shortfalls, our operations will not be adversely affected. In addition, our results of operation are sensitive to the fluctuation of coal price. Since 2003, the continuous increase of coal price has increased our costs substantially and caused our profits to decline. Although the government has established a coal-electricity price linkage mechanism to allow power generating companies to increase their power tariffs to respond to the increase of coal price, the implementation of the mechanism involves significant uncertainties. There is no assurance that we will be able to adjust our power tariff to pass on the increase of coal price to our customers. For a detailed discussion of the coal-electricity price linkage mechanism, see “Item 4 Information of the Company-B Business Overview – Pricing Policy”. Starting from 2009, in furtherance of the coal purchase reform, NDRC ceased to coordinate annual coal purchase conference and will no longer make allocation of coal supply to power companies. The price and amount of coal supply will be determined based on the free negotiation between

power companies, coal suppliers, and the railway authorities, which increases the uncertainty of the coal supply and the coal price and may adversely affect our operations.

Power plant development, acquisition and construction are a complex and time-consuming process, the delay of which may negatively affect the implementation of our growth strategy

We develop, construct, manage and operate large power plants; success depends upon our ability to secure all required PRC Government approvals, power sales and dispatch agreements, construction contracts, fuel supply and transportation and electricity transmission arrangements. Delay or failure to secure any of these could increase cost or delay or prevent commercial operation of the affected power plant. Although each of our power plants in operation and the power plants under construction received all required PRC Government

approvals in a timely fashion, no assurances can be given that all the future projects will receive approvals in a timely fashion or at all.

We have generally acted as, and intend to continue to act as, the general contractor for the construction of our power plants. As with any major infrastructure construction effort, the construction of a power plant involves many risks, including shortages of equipment, material and labor, labor disturbances, accidents, inclement weather, unforeseen engineering, environmental, geological, delays and other problems and unanticipated cost increases, any of which could give rise to delays or cost overruns. Construction delays may result in loss of revenues. Failure to complete construction according to specifications may result in liabilities, decrease power plant efficiency, increase operating costs and reduce earnings. Although the construction of each of our power plants was completed on or ahead of schedule and within its budget, no assurance can be given that construction of future projects will be completed on schedule or within budget.

In addition, from time to time, we may acquire existing power plants from HIPDC, Huaneng Group or other parties. The timing and the likelihood of the consummation of any such acquisitions will depend, among other things, on our ability to obtain financing and relevant PRC Government approvals and to negotiate relevant agreements for terms acceptable to us.

Substantial capital is required for investing in or acquiring new power plants and failure to obtain capital on reasonable commercial terms will increase our finance cost and cause delay in our expansion plans

An important component of our growth strategy is to develop new power plants and acquire operating power plants and related development rights from HIPDC, Huaneng Group or other companies on commercially reasonable terms. Our ability to arrange financing and the cost of such financing depend on numerous factors, including general economic and capital market conditions, credit availability from banks or other lenders, investor confidence in us and the continued success of our power plants. The People's Bank of China has reduced RMB benchmark lending interest rates for five consecutive times from September to the end of 2008 to counteract the impact of international financial crisis on China's economy. Chinese government has implemented appropriately liberated monetary policies during 2009, thus creating a favorable environment for the Company to control financing costs. Chinese government is expected to continue implementing the liberated monetary policies during 2010 to enhance the recovery of China's economy from the international financial crisis. However, there is no assurance that the lending interest rates would not be raised in the future. Although we have historically been able to obtain financing on terms acceptable to us, there can be no assurance that financing for future power plant developments and acquisitions will be available on terms acceptable to us or, in the event of an equity offering, that such offering will not result in substantial dilution to existing shareholders.

Operation of power plants involves many risks and we may not have enough insurance to cover the economic losses if any of our power plants' ordinary operation is interrupted

The operation of power plants involves many risks and hazards, including breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, labor disturbances, natural disasters, environmental hazards and industrial accidents. The occurrence of material operational problems, including but not limited to the above events, may adversely affect the profitability of a power plant.

Our power plants in the PRC currently maintain insurance coverage that is typical in the electric power industry in the PRC and in amounts that we believe to be adequate. Such insurance, however, may not provide adequate coverage in certain circumstances. In particular, in accordance with industry practice in the PRC, our power plants in the PRC do not generally maintain business interruption insurance, or any of third party liability insurance other than that included in construction all risks insurance or erection all risks insurance to cover claims in respect of bodily injury or property

or environment damage arising from accidents on our property or relating to our operation. Although each of our power plants has a good record of safe operation, there is no assurance that the afore-mentioned accidents will not occur in the future.

If the PRC government adopts new and stricter environmental laws and additional capital expenditure is required for complying with such laws, the operation of our power plants may be adversely affected and we may be required to make more investment in compliance with these environmental laws

Our power plants, like all coal-fired power plants, discharge pollutants into the environment. We are subject to central and local government environmental protection laws and regulations, which currently impose base-level discharge fees for various polluting substances and graduated schedules of fees for the discharge of waste substances. The amount of discharge fees shall be determined by the local environmental protection authority based on the periodic inspection of the type and volume of pollution discharges. In addition, such environmental protection laws and regulations also set up the goal for the overall control on the discharge

volume of key polluting substances. These laws and regulations impose fines for violations of laws, regulations or decrees and provide for the possible closure by the central government or local government of any power plant which fails to comply with orders requiring it to cease or cure certain activities causing environmental damage. In 2007, the PRC government issued additional policies on discharge of polluting substances and on desulphurization for coal-fired generating units. Certain provinces have raised the rates of waste disposal fees since 2008. Such increases in the discharge fees and in the environmental protection expenditure will lead to an increase of the operating costs of power plants like ours and may have adverse impact on our operating results.

We attach great importance to the environmental related matters of our existing power plants and our power plants under construction. We have implemented a system that is designed to control pollution caused by our power plants, including the establishment of an environmental protection office at each power plant, adoption of relevant control and evaluation procedures and the installation of certain pollution control equipment. We believe our environmental protection systems and facilities for the power plants are adequate for us to comply with applicable central government and local government environmental protection laws and regulations. The PRC Government may impose new, stricter laws and regulations which would require additional expenditure on environmental protection.

The PRC is a party to the Framework Convention on Climate Change ("Climate Change Convention"), which is intended to limit or capture emissions of "greenhouse" gases, such as carbon dioxide. Ceilings on such emissions could limit the production of electricity from fossil fuels, particularly coal, or increase the costs of such production. At present, ceilings on the emissions of "greenhouse" gases have not been assigned to developing countries under the Climate Change Convention. Therefore, the Climate Change Convention would not have a major effect on the Company in the short-term because the PRC as a developing country is not obligated to reduce its emissions of "greenhouse" gases at present, and the PRC government has not adopted relevant control standards and policies. If the PRC were to agree to such ceilings, or otherwise reduce its reliance on coal-fired power plants, our business prospects could be adversely affected.

Our business benefits from certain PRC government tax incentives. Expiration of, or changes to, the incentives could adversely affect our operating results

Prior to January 1, 2008, according to the relevant income tax law, foreign invested enterprises were, in general, subject to statutory income tax of 33% (30% enterprise income tax and 3% local income tax). If these enterprises are located in certain specified locations or cities, or are specifically approved by State Tax Bureau, a lower tax rate would be applied. Effective from January 1, 1999, in accordance with the practice notes on the PRC income tax laws applicable to foreign invested enterprises investing in energy and transportation infrastructure businesses, a reduced enterprise income tax rate of 15% (after the approval of State Tax Bureau) was applicable across the country. We applied this rule to all of our wholly owned operating power plants after obtaining the approval of State Tax Bureau. In addition, certain power plants were exempted from enterprise income tax for two years starting from the first profit-making year, after offsetting all tax losses carried forward from the previous years (at most of five years), followed by a 50% reduction of the applicable tax rate for the next three years. The statutory income tax was assessed individually based on each of their results of operations.

On March 16, 2007, the Enterprise Income Tax Law of PRC, or the New Enterprise Income Tax Law, was enacted, and became effective on January 1, 2008. The New Enterprise Income Tax Law imposes a uniform income tax rate of 25% for domestic enterprises and foreign invested enterprises. Therefore, our power plants subject to a 33% income tax rate prior to January 1, 2008 are subject to a lower tax rate of 25% starting on January 1, 2008. With regard to our power plants entitled to a reduced enterprise income tax rate of 15% prior to January 1, 2008, their effective tax rate is being gradually increased to 25% within a five-year transition period commencing on January 1, 2008. Accordingly, the effective tax rate of our wholly-owned power plants will increase over time. In addition, although our power plants currently entitled to tax exemption and reduction under the income tax laws and regulations



that are effective prior to the the New Enterprise Income Tax Law will continue to enjoy such preferential treatments until the expiration of the same, newly established power plants will not be able to benefit from such tax incentives, unless they can satisfy specific qualifications, if any, provided by then effective laws and regulations on preferential tax treatment.

Pursuant to Guo Shui Han [2009] 33 document, starting from January 1, 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.

The increase of applicable income tax rate and elimination of the preferential tax treatment with regard to certain of our power plants may adversely affect our financial condition and results of operations. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax benefits currently available to us.

In addition, according to the New Enterprise Income Tax Law and its implementation rules, any dividends derived from the distributable profits accumulated from January 1, 2008 and are paid to the shareholders who are non-resident enterprises in the PRC will be subject to the PRC withholding tax at the rate of 10%. The withholding tax will be exempted if such dividends are derived from the distributable profits accumulated before January 1, 2008. Under a notice issued by the State Administration of Taxation of the PRC on November 6, 2008, we are required to withhold PRC income tax at the rate of 10% on annual dividends paid for 2008 and later years payable to our H Share investors who are non-resident enterprises.

If there is a devaluation of Renminbi or Singapore dollar, our debt burden will increase and the dividend return to our overseas shareholders may decrease

As a power producer operating mainly in China, we collect our revenues in Renminbi and have to convert Renminbi into foreign currencies to (i) repay some of our borrowings which are denominated in foreign currencies, (ii) purchase foreign made equipment and parts for repairs and maintenance, and (iii) pay out dividend to our overseas shareholders.

The value of the Renminbi against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including US dollars, has historically been set by the People's Bank of China. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate within a band against a basket of certain foreign currencies. This change in policy resulted initially in an approximately 2.0% appreciation in the value of the Renminbi against the US dollar. Since the adoption of this new policy, the value of Renminbi against the US dollar has fluctuated on a daily basis within narrow ranges, but overall has further strengthened against the US dollar. There remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in a further and more significant appreciation in the value of the Renminbi against the US dollar. However, there is no assurance that there will not be a devaluation of Renminbi in the future. If there is such devaluation, our debt servicing cost will increase and the return to our overseas investors may decrease.

Our revenues from SinoSing Power and its subsidiary, Tuas Power Ltd. ("Tuas Power"), are collected in Singapore dollar. However, commencing from 2008, the operation results of SinoSing Power and its subsidiary are consolidated into our financial statements, which use Renminbi as the functional currency and presentation currency. As a result, we are exposed to foreign exchange fluctuations between Renminbi and Singapore dollar. Appreciation of Renminbi against Singapore dollar may cause a foreign exchange loss upon conversion of SinoSing Power and its subsidiary's operating results denominated in Singapore dollar into Renminbi, which may have adverse impact on our operation results.

Forward-looking information may prove inaccurate

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "anticipate," "believe," "estimate," "expect," "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statement. Such statements reflect the current views of our management with respect to future events and are subject to certain risks,

uncertainties and assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. We do not intend to update these forward-looking statements.

#### Risks relating to the PRC

China's economic, political and social conditions as well as government policies could significantly affect our business

As of December 31, 2009, the majority of our business, assets and operations are located in China. The economy of China differs from the economies of most developed countries in many respects, including government involvement, level of development, economy growth rate, control of foreign exchange, and allocation of resources.

The economy of China has been transitioning from a planned economy to a more market-oriented economy. Although the majority of productive assets in China are still owned by the PRC government at various levels, in recent years the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the economy of China and a high level of management autonomy. Some of these measures will benefit the overall economy of China, but may have a negative effect on us. For example, our operating results and financial condition may be adversely affected by changes in taxation, changes in power tariff for our power plants, changes in the usage and costs of State controlled transportation services, and changes in State policies affecting the power industry.

#### Interpretation of PRC laws and regulations involves significant uncertainties

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited value as precedents. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and judicial interpretation and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties. In addition, as the PRC legal system develops, we cannot assure that changes in such laws and regulations, and their interpretation or their enforcement will not have a material adverse effect on our business operations.

We are subject to certain PRC regulations governing PRC companies that are listed overseas. These regulations contain certain provisions that are required to be included in the articles of association of these PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and these regulations, in general, and the provisions for protection of shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the US, the UK and other developed countries or regions. Such limited investor protections are compensated for, to a certain extent, by the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas and certain additional requirements that are imposed by the Listing Rules of The Hong Kong Stock Exchange with a view to reduce the magnitude of differences between the Hong Kong Company Law and PRC Company Law. The articles of association of all PRC companies listed in Hong Kong must incorporate such Mandatory Provisions and these additional requirements. Although our Articles of Association have incorporated such provisions and requirements, there can be no assurance that our shareholders will enjoy protections to which they may be entitled in other jurisdictions.

#### Risks relating to our operations in Singapore

Tuas Power Ltd. ("Tuas Power"), one of our wholly-owned subsidiaries, operates in Singapore. Tuas Power is a power generation company incorporated in Singapore which is engaged in the business of generation, wholesale and retail of power. With two 600 MW oil-fired steam generating units and four 367.5 MW gas-fired combined cycle generating units, Tuas Power has a total generating capacity of 2,670 MW. The total assets and revenue of Tuas Power represented approximately 13% and 14%, respectively, of our total assets and revenue as of and for the year ended December 31, 2009.

The operations of Tuas Power are subject to a number of risks, including, among others, risks relating to electricity pricing, dispatching, fuel supply, project development, capital expenditure, environmental regulations, government policies, and Singapore's economic, political and social conditions. Any of these risks could materially and adversely affect the business, prospects, financial condition and results of operations of Tuas Power.

Decrease in market demand and intensified competition may adversely affect Tuas Power's business and results of operations.

Power demand in Singapore is dependent upon the economic development of Singapore. Due to the impact of the global financial crisis and economic downturn, Singapore's economy had a negative growth in 2009, and the power demand had a moderate decrease in 2009. Power demand is expected to see a moderate growth in 2010 on the back of emerging global recovery. Significant and sustained adverse changes in Singapore's economy and a material reduction in power demand in Singapore may adversely affect Tuas Power's business, prospects, financial condition and results of operations.

The Singapore electricity industry had traditionally been vertically integrated and owned by the government. Since 1995, much progress has been made to liberalize the electricity industry for greater

efficiency and innovation. Steps taken to liberalize the power industry include corporatization of the Public Utilities Board (“PUB”) in 1995, establishment of Singapore Electricity Pool (“SEP”) in 1998, formation of Energy Market Authority (“EMA”) in 2001, and the evolution of the SEP into the New Electricity Market of Singapore (“NEMS”) in 2003, and respective divestment of three major generating companies (Tuas Power, PowerSenoko, PowerSeraya) by Temasek Holdings in 2008 and 2009. The liberalization of Singapore’s power market and the further deregulation of its power industry have resulted in more intense competition among the power generating companies in Singapore. Tuas Power is one of the three largest power generating companies in Singapore. If Tuas Power is unable to compete successfully against other power generating companies in Singapore, its business, prospects, financial condition and results of operations may be adversely affected.

Decrease in the quantity of generating capacity covered by Tuas Power’s vesting contracts may further expose Tuas Power to electricity price volatility and adversely affect its business and results of operations.

Tuas Power derives its revenue mainly from sale of electricity to the National Electricity Market of Singapore (the “NEMS”) through a bidding process and vesting contracts under which a significant portion of power sales is predetermined by EMA. Vesting contracts are a form of bilateral contract imposed/vested on the major power generating companies in Singapore. The vesting contract regime in Singapore is targeted at mitigation of market power in the wholesale electricity spot market. The regime achieves this objective by assigning a quantity of vesting contracts to generating companies, thereby limiting their incentives to exercise whatever level of market power they may possess. Vesting contract price is set by the Energy Market Authority (the “EMA”), which is Singapore’s power market regulator. It is set at the long run marginal cost of the most efficient base-loaded technology plant employed in Singapore and is reviewed every two years. On a quarterly basis, the EMA allows for the vesting contract price to be adjusted to account for inflation and changes in fuel prices. Such mechanism helps protect the profit margins of the power generating companies in the Singapore market such as Tuas Power to a large degree. The quantity of each power generation company’s capacity reserved for vesting contracts depends on the proportion of such power generation company’s capacity to total capacity in the NEMS system. The contract quantity and price are recalculated every three months. For the period from January 1, 2009 to December 31, 2009, power sold through vesting contracts represented approximately 60% of Tuas Power’s total power sold.

As an important governmental policy in Singapore’s power market, vesting contracts may continue as long as the EMA considers that high market concentration persists and that power generating companies may potentially exercise their market power. Although it is expected that it will take at least eight to ten years for market concentration to be substantially diluted, the Singapore government recently planned to decrease the quantities of capacity covered by vesting contracts. The timetable and details for such plan remain uncertain and Tuas Power is actively communicating with the EMA and requesting a relatively stable policy. Any significant decrease in the quantity of capacity covered by Tuas Power’s vesting contracts will further expose Tuas Power to electricity price volatility and may have an adverse impact on its business and results of operations.

The fuel cost of Tuas Power is exposed to the volatility of international fuel price and foreign currency risk.

The fuel for Tuas Power consists of oil and gas. Since the procurement price of gas is closely linked to oil price, the fuel cost of Tuas Power is exposed to the volatility of international oil price. In addition, the commitments for the purchase of fuel are denominated in US dollars, which further exposes Tuas Power to foreign currency risk. The increase in fuel price and the appreciation of US dollars against Singapore dollar would increase the fuel cost of Tuas Power and adversely affects its results of operations.

ITEM Information on the Company

A. History and development of the Company

Our legal and commercial name is Huaneng Power International, Inc. Our head office is at West Wing, Building C, Tianyin Mansion, 2C, Fuxingmennan Street, Beijing, People's Republic of China and our telephone number is (8610) 66491999. We were established in June 1994 as a company limited by shares organized under the laws of the People's Republic of China.

On April 19, 2006, we carried out the reform to convert all non-tradable domestic shares to tradable domestic shares. According to the reform plan, Huaneng Group and HIPDC offered three shares to each holder of A Shares for every ten shares held by them. The total number of shares offered in connection with the reform was 150,000,000 shares. As a result, all non-tradable domestic shares were permitted to be listed on stock exchange for trading with certain selling restrictions. The period of selling restrictions is sixty months for the non-tradable shares held by Huaneng Group and HIPDC, and one year for most non-tradable shares held by

others starting from April 19, 2006. As of March 31, 2010, approximately 6.122 billion of our shares, including our shares directly held by Huaneng Group and HIPDC, remained subject to selling restrictions. The reform did not affect the rights of shareholders of our overseas listed foreign shares.

On March 25, 2008, we signed a letter of intent with Huaneng Group on the transfer of the equity of SinoSing Power, which is a wholly-owned subsidiary of Huaneng Group that was established to acquire 100% equity interest in Tuas Power Ltd. from Temasek Holdings (Private) Limited. Huaneng Group's equity investment in SinoSing Power is US\$985 million. On April 29, 2008, we entered into a transfer agreement with Huaneng Group in this regard, pursuant to which we should pay the consideration in full, of which US\$788 million settled by assignment of debts and the remaining balance of approximately RMB1.572 billion paid in cash in Renminbi. On June 27, 2008, we completed the acquisition of SinoSing Power. Tuas Power Ltd., with a total installed capacity of 2,670MW, became one of our indirectly wholly-owned subsidiaries.

As resolved at the shareholders' meeting held on May 13, 2008, our company has been given a mandate to issue within the PRC short-term debentures of a principal amount not exceeding RMB10 billion within 12 months from the date on which the shareholders' approval was obtained. On July 25, 2008, we issued short-term RMB denominated debentures in the amount of RMB5 billion with a maturity period of 365 days, a unit face value of RMB100 and an interest rate of 4.83%. On February 24, 2009, we issued the second tranche of the short-term debenture in the amount of RMB5 billion, with a maturity period of 365 days, a unit face value of RMB100 and an interest rate of 1.88%. These two tranches of short-term debentures were repaid in July 2009 and February 2010, respectively.

As resolved at the extraordinary general meeting held on December 23, 2008, our company has been given a mandate to issue within the PRC medium-term notes of a principal amount not exceeding RMB10 billion within 12 months from the date on which the shareholder's approval was obtained. On May 14, 2009, we issued medium-term RMB denominated notes in the amount of RMB4 billion, with a maturity period of 5 years, a unit face value of RMB100 and an interest rate of 3.72%.

As resolved at the 2008 annual general meeting held on June 18, 2009, our company has been given a mandate to issue within the PRC short-term debentures of a principal amount not exceeding RMB10 billion within 12 months from the date on which the shareholder's approval was obtained. On September 9, 2009, we issued the first tranche of the short-term RMB denominated debenture in the amount of RMB5 billion with a maturity period of 270 days, a unit face value of RMB100 and an interest rate of 2.32%. On March 23, 2010, we issued the second tranche of the short-term debenture in the amount of RMB5 billion, with a maturity period of 270 days, a unit face value of RMB100 and an interest rate of 2.55%.

On March 31, 2009, we entered into a transfer agreement with Huaneng New Energy Industrial Holding Limited Company ("Huaneng New Energy"), a subsidiary of Huaneng Group, pursuant to which we agreed to acquire from Huaneng New Energy its 65% equity interest in Huaneng Qidong Wind Power Generation Co., Ltd. ("Qidong Wind Power") for a consideration of RMB103 million. Phase I of Qidong Wind Power has a generating capacity of 91.5 MW and commenced operations in March 2009. In September 2009, we completed the acquisition of 65% equity interest in Qidong Wind Power.

On April 21, 2009, we entered into a transfer agreement with Huaneng Group, pursuant to which we agreed to acquire the 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, we entered into a transfer agreement with HIPDC, pursuant to which we agreed to acquire the 41% equity interest in Huaneng Beijing Co-generation Limited Liability Company held by HIPDC for a consideration of RMB1.272 billion. In September 2009, we completed 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. We exercise effective control over Huaneng



Beijing Co-generation Limited Liability Company. As a result of these acquisitions, our company's generation capacity is increased by 1,006MW on an equity basis.

On November 11, 2009, Tuas Power commenced the construction of Tembusu multi-utilities complex at Jurong Island, Singapore. The complex consists of a co-generation plant, a desalination plant and a wastewater treatment facility. The cogeneration plant will have three biomass clean coal cogeneration units which use circulating fluidized bed technology and three gas fired boilers, with a capacity to supply up to 1000 t/h of steam and a power generation capacity of 165 MW. The project has a total investment of SGD2 billion and is expect to be completed in two phases with the co-generation plant to commence commercial operation in 2012.

On December 31, 2009, we entered into an equity interest transfer contract with Shandong Electric Power Corporation (“Shandong Power”) and Shandong Luneng Development Group Company Limited (“Luneng Development”), pursuant to which we agreed to acquire 100% equity interest in each of Yunnan Diandong Energy Limited Company, Yunnan Diandong Yuwang Energy Limited Company, Shandong Zhanhua Co-generation Limited Company, Jilin Luneng Biological Power Generation Limited Company and Qingdao Luneng Jiaonan Port Limited Company, 60.25% equity interest in Fujian Luoyuanwan Luneng Harbour Limited Liability Company, 58.3% equity interest in Fuzhou Port Luoyuanwan Pier Limited Liability Company, 73.46% equity interest in Luoyuan Luneng Ludao Pier Limited Liability Company, and 53% equity interest in Luneng Sea Transportation Limited Company, as well as the preliminary stage project achievements of 4x660MW coal-fired project of Rizhao Lanshan and 2x660MW coal-fired project of Luoyuanwan from Shandong Power, and 39.75% equity interest in Fujian Luoyuanwan Luneng Harbour Limited Liability Company from Luneng Development, for an aggregate consideration of RMB8.625 billion. As of April 15, 2010, the proposed transaction was still subject to approvals by relevant governmental authorities.

As resolved at the extraordinary general meeting and the H Share class meeting held on March 16, 2010, respectively, we would issue (i) no more than 1,200 million new A Shares by way of placement to no more than 10 designated investors including Huaneng Group, which would subscribe for no more than 400 million new A Shares, and (ii) no more than 400 million new H Shares to China Hua Neng Hong Kong Company Limited (“Hua Neng HK”), a wholly-owned subsidiary of Huaneng Group. The subscription price for new A Shares shall be no less than RMB7.13 per share and will be determined on the book-building basis after obtaining the approvals for the new issue. The subscription price for new H Shares shall be HK\$4.97 per share. The proposed issue of new A Shares and H Shares has been approved by the State Assets Supervision and Administration Commission of the State Council, and is subject to approvals by relevant governmental authorities in accordance with applicable PRC laws and regulations.

See “Item 5 Operating and Financial Review and Prospects — Liquidity and Cash Resources” for a description of our principal capital expenditures since the beginning of the last three financial years.

## B. Business overview

We are one of the China's largest independent power producers. As of March 31, 2010, we had controlling generating capacity of 49,443MW, and a total generating capacity of 45,912MW on an equity basis.

### Operations in China

We are engaged in developing, constructing, operating and managing power plants throughout China. Our domestic power plants are located in 17 provinces, provincial-level municipalities and autonomous regions. We also have a wholly-owned power plant in Singapore.

In 2009, the Chinese government has taken a series of measures including economic stimulus packages and various monetary and fiscal policies, which enabled China's macro economy to recover gradually from the adverse impact of the international financial crisis. Recovery of downstream industries continued to contribute to the growing power demand. Meanwhile, coal price in the domestic market declined from the previous year, indicating that the policy guidance in respect of electricity tariff adjustment implemented by the NDRC has gradually effected on the macro-economy. The macro economic conditions of China have provided opportunities for the development of China's power industry and the growth of power generating companies. In response to the international financial crisis and complicated operating conditions, our management and all employees worked together and made every effort to actively deal with the challenges. We achieved the target of turning a loss into a gain and made new progress in the areas of safe production, operation management, energy saving, environmental protection, project development, capital operation and corporate governance. With respect to our operations in Singapore, Tuas Power achieved remarkable annual operating result in 2009, thus making contribution to our profit growth.

In the year of 2009, new generating units with a total installed capacity of 5,832 MW were put into commercial operations, including our Huade Wind Power Plant, which has an installed capacity of 49.5 MW. In 2009, our 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 annual average utilization hours of our coal-fired generating units reached 5,220 hours, representing 381 hours above the average rate of the coal-fired generating units in China. Our fuel cost per unit of power sold by coal-fired power plants decreased by 13.73% to RMB214.53 per MWh.

We believe our significant capability in the development and construction of power projects, as exemplified in the completion of our projects under construction ahead of schedule, and our experience gained

in the successful acquisitions of power assets in recent years will enable us to take full advantage of the opportunities presented in China's power market and made available to us through our relationship with HIPDC and Huaneng Group.

With respect to the acquisition or development of any project, we will consider, among other factors, changes in power market conditions, and adhere to prudent commercial principles in the evaluation of the feasibility of the project. In addition to business development strategies, we will continue to work on our profit enhancement through relentlessly strengthening cost control, especially in respect of fuel costs and construction costs, so as to hedge against fluctuations in fuel price and increase competitiveness in the power market.

#### Operations in Singapore

In 2008, we acquired Tuas Power which is one of the three largest power generating companies in Singapore and had a total generating capacity of 2,670 MW as of December 31, 2009. We have consolidated Tuas Power's results of operations since March 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.

#### Development of power plants

The process of identifying potential sites for power plants, obtaining government approvals, completing construction and commencing commercial operations is usually lengthy. However, because of our significant experience in developing and constructing power plants, we have been able to identify promising power plant projects and to obtain all required PRC Government approvals in a timely manner.

#### Opportunity identification and feasibility study

We initially identify an area in which additional electric power is needed by determining its existing installed capacity and projected demand for electric power. The initial assessment of a proposed power plant involves a preliminary feasibility study. The feasibility study examines the proposed power plant's land use requirements, access to a power grid, fuel supply arrangements, availability of water, local requirements for permits and licenses and the ability of potential customers to afford the proposed power tariff. To determine projected demand, factors such as economic growth, population growth and industrial expansion are used. To gauge the expected supply of electricity, the capacities of existing plants and plants under construction or development are studied.

#### Approval process

Prior to July 2004, any project proposal and supporting documents for new power plants must first be submitted to the NDRC for approval and then be submitted to the State Council. In July 2004, the State Council of the PRC reformed the fixed asset investment regulatory system in China. Under the new system, new projects in the electric power industry that do not use government funds will no longer be subject to the examination and approval procedure. Instead, they will only be subject to a confirmation and registration process. Coal-fired projects will be subject to confirmation by the NDRC. Wind power projects with installed capacity exceeding 50 MW will be subject to confirmation and registration with the relevant department of the central government while wind power project with installed capacity lower than 50 MW will be subject to confirmation and relevant local government departments. Wind power projects confirmed by local government departments at provincial level shall also be filed with the NDRC and China National Energy Administration.

Joint venture power projects are subject to additional governmental approvals. Approval by Ministry of Commerce is also required when foreign investment is involved.

In January 2007, the Office of the National Energy Leading Group and the NDRC with the approval of the State Council jointly issued the opinions to accelerate shutdowns of small coal-fired generating units. Power generating companies are encouraged to close small coal-fired generating units and replace them with newly built large units, and their new projects may be granted priority in the confirmation and registration process on the basis of their proactive implementation of the opinions.

#### Permits and contracts

In developing a new power plant, we and third parties are required to obtain permits before commencement of the project. Such permits include operating licenses and similar approvals related to plant site, land use, construction, and the environment. To encourage the cooperation and support of the local

governments of the localities of the power plants, it has been and will be our policy to seek investment in such power plants by the relevant local governments.

#### Power plant construction

We have generally acted as the general contractor for the construction of our power plants. Equipment procurement and installation, site preparation and civil works are subcontracted to domestic and foreign subcontractors through a competitive bidding process. All of our power plants were completed on or ahead of schedule, enabling certain units to enter service and begin generating income earlier than the estimated in-service date.

#### Import duties

China's general import-tariff level has been declining since China acceded to the WTO in November 2001. China's average import-tariff rate was reduced annually from 15.3% in 2001 to 9.9% in 2005 and 2006. Starting from January 1, 2007, the average import-tariff rate was further reduced to 9.8%. In general, China's accession to WTO will bring its import-tariff to a level consistent with the average level of all other WTO members.

Under the relevant PRC laws and regulations, foreign invested enterprises, or "FIE", will be entitled to import duty exemption in respect of self-use imported equipment and raw materials for investment projects that fall into the encouraged category under the Catalogue for the Guidance of Foreign Investment Industries (the "Catalogue"). Pursuant to the current Catalogue effective on December 1, 2007, construction and operation of power stations using integrated gasification combined cycle, circulating fluidized bed with a generating capacity of 300MW or above, pressurized fluidized bed combustor with a generating capacity of 100MW or above and other clean combustion technologies belong to the category of encouraged projects. Therefore, our construction projects that meet the conditions for encouraged projects under the current catalogue are eligible for import-duty exemption for imported generating units.

In addition, pursuant to the Interim Rules to Promote Structural Adjustment of Industries and Guidance Catalogue for Structural Adjustment of Industries issued in December 2005, our power plants construction projects with independent legal person status belong to an encouraged category of investments, and therefore are eligible for exemption from import duty and related value-added tax with regard to the imported equipments used in such projects, subject to the approval of the relevant government authorities.

#### Plant start-up and operation

We have historically operated and intend to continue to operate our power plants. Our power plants have established management structures based on modern management techniques. We select the superintendent for a new power plant from the senior management of our operating plants early in the construction phase of the new plant, invest in the training of operational personnel, adopt various rational management techniques and structure its plant bonus program to reward efficient and cost-effective operation of the plant in order to ensure the safety, stability and high level of availability of each power plant. Our senior management meets several times a year with the superintendents of the power plants as a group, fostering a team approach to operations, and conducts annual plant performance reviews with the appropriate superintendent, during which opportunities to enhance the power plant's performance and profitability are evaluated.

After a coal-fired generating unit is constructed, the contractor tests its installation and systems. Following such tests, the contractor puts the unit through a continuous 168-hour trial run at full load. After successfully passing the continuous 168-hour test and obtaining approval from the local governments, the unit may commence its commercial operation. Trial run of wind power project consists of two phases: (i) trial run of single wind power generating unit

and (ii) trial run of the entire wind power project as a whole. After successfully passing the trial run, the wind power project may commence its commercial operation.

#### Development of Power Plants in Singapore

The Singapore electricity industry had traditionally been vertically integrated and owned by the government. Since 1995, steps has been taken to liberalize the power industry. The EMA is a statutory body responsible for the economic, technical and competition regulation of the gas and electricity industry in Singapore. In carrying out its functions as the regulator of the power sector, EMA is empowered under the Electricity Act to issue and enforce licences, codes of practices and performance standards. Energy Market Company Pte Ltd. (the “EMC”), a subsidiary of the EMA, is the market company licensed to operate the wholesale market, or the NEMS.

In Singapore, a company is required to hold a generation license issued by the EMA if it generates electricity by means of one or more generating units with capacity of 10 MW or above. If connected to the power grid, the generating unit(s) must be registered with the EMC and will have to compete with other power generating companies to secure dispatch in the NEMS.

To ensure adequate electricity supply in Singapore, the EMA targets a minimum reserve margin (the excess of generating capacity over peak electricity demand) of 30% based on a loss of load probability (a measure of the probability that a system demand will exceed capacity during a given period, often expressed as the estimated number of days over a year) of three days per year. The 30% required reserve margin is to cater for scheduled maintenance as well as forced outages of generating units in the system. If the reserve margin falls below the required 30% due to demand growth and/or plant retirements, it would be an indication that new generation investments in generation units are needed to maintain system security.

The EMA intends to keep the increase and decrease in generating capacity to be commercially driven as far as practicable. As a precaution against the risk of insufficient generating capacity in the system to maintain system security, the EMA has planned to put in place a capacity assurance scheme to incentivize new generation planting in case new generating capacity that is required to maintain system security is not forthcoming from the market.

By most measures of market power, the Singapore market is highly concentrated as the three largest power generating companies account for approximately 90% of total power capacity. Although such high market concentration is expected to decrease over time, it is expected to remain as a concern for at least the next decade. Therefore, it is unlikely that the EMA will allow the three largest power generating companies to increase their licensed capacity and these generating companies will have to rely on the optimization of their existing capacity within license cap to improve efficiency and forestall new entry.

#### Pricing policy

Prior to April 2001, the on-grid tariffs for our planned output were designed to enable us to recover all operating and debt servicing costs and to earn a fixed rate of return. Since April 2001, however, the PRC government has started to gradually implement a new on-grid tariff-setting mechanism based on the operating terms of power plants as well as the average costs of comparable power plants.

On July 3, 2003, the State Council approved the tariff reform plan and made it clear that the long-term objective of the reform is to establish a standardized and transparent tariff-setting mechanism.

Pursuant to the NDRC circular issued in June 2004, on-grid tariffs for newly built power generating units commencing operation from June 2004 should be set on the basis of the average cost of comparable units adding tax and reasonable return in the regional grid. It provides challenges and incentives for power generating companies to control costs for building new generating units.

On March 28, 2005, the NDRC issued the Interim Measures on Regulation of On-grid Tariff, the Interim Measures on Regulation of Transmission and Distribution Tariff, and the Interim Measures on Regulation of End-user Tariff, or collectively the Interim Measures, to provide guidance for the reform of tariff-setting mechanism in the transition period. Under the Interim Measures, tariff is classified into on-grid tariff, transmission and distribution tariff and end-user tariff. Transmission and distribution tariff will be instituted by the government. End-user tariff will be based on on-grid tariff and transmission and distribution tariff. The government is responsible to regulate and supervise power tariffs in light of the principles of efficiency, incentives, and investment encouragement and taking into consideration of affordability.



In December 2004, the NDRC proposed and the State Council approved to establish a linkage mechanism between coal and power prices, pursuant to which, the NDRC may adjust power tariffs if the change of the average coal price reaches 5% within a period of six months compared with the preceding same period. The change in a period, if less than 5%, will be carried forward to the future periods until the accumulated amounts reach 5%. With a target to encourage power generating companies to reduce cost and improve efficiency, only around 70% of coal price increases will be allowed to pass to end-users through an increase of power tariffs, and power generating companies will bear the remaining 30%. In May 2005, the NDRC activated the coal-electricity price linkage mechanism for the first time to increase on-grid tariffs and end-user tariffs in the northeastern region, central region, eastern region, northwestern region and southern region. We accordingly increased the on-grid tariffs of our power plants in the northeastern region, central region, eastern region and northwestern region on May 1, 2005 and in the southern region on July 15, 2005. In June 2006, the coal-electricity price linkage mechanism was reactivated by the NDRC to increase on-grid tariffs and end-user tariffs

in the northeastern region, central region, eastern region, northwestern region and southern region. We accordingly increased the on-grid tariffs of most of our power plants in the same regions on June 30, 2006.

In May 2007, NDRC and the State Environment Protection Administration jointly promulgated Interim Administrative Measures on Electricity Price of Coal-fired Generating Units installed with Desulphurization Facilities and the Operations of Such Facilities, which provided that a premium for desulphurization may be charged on the price of the electricity generated by generating units installed with desulphurization facilities on and from the date on which such desulphurization facilities are tested and accepted by relevant environment protection regulator. Such pricing policy is also applicable to the old generating units which are installed with desulphurization facilities. The new measures are more stringent on the regulation of the coal-fired power plants with desulphurization facilities, setting forth the categories under which the price including a desulphurization premium will be offset or otherwise penalized based on the ratio of utilization of the relevant desulphurization facilities on annual basis. As of December 31, 2009, all of our existing coal-fired generating units have installed and operated the desulphurization facilities and all the generating units will meet the standards for environmental protection.

In June 2008, NDRC issued Notice of Raising the Power Tariff, pursuant to which, the power tariff in provincial grids nationwide was increased by an average of RMB0.025 per kWh. In August 2008, NDRC issued Notice of Raising the On-grid Tariffs of the Thermal Power Plants, pursuant to which, the on-grid tariff of thermal power plants, including plants fueled by coal, oil, gas and co-generation, was increased by an average of RMB0.02 per kWh.

On February 25, 2009, NDRC, SERC and China National Energy Administration jointly promulgated the Notice regarding Cleaning up the Concessional Tariff Scheme, pursuant to which, (i) the concessional tariff scheme at local level is banned, and (ii) certain measures, such as direct purchase by large end-users and adopting peak and off-peak power pricing policy, will be carried out to reduce enterprises' power cost. In addition, the notice emphasizes the supervision and inspection over the setting of power tariff. On October 11, 2009, in order to promote a fair market condition and the optimization of electric power resources, NDRC, SERC and China National Energy Administration jointly promulgated the Circular on Regulating the Administration of Electric Power Transaction Tariff to regulate the tariff setting mechanism for the on-grid tariff, transmission and distribution tariff and end-user tariff and clean up the local preferential power tariffs provided to high energy consumption companies.

Pursuant to a notice issued by NDRC, with effect from November 20, 2009, certain adjustments on the on-grids tariffs have been made in various regions of China in order to resolve the inconsistencies in tariffs, rationalize the tariff structure and promote the development of renewable energy.

In terms of power tariff for wind power projects, pursuant to the applicable policies and regulations, the PRC is categorized into four wind resource zones, and the onshore wind power projects approved after August 1, 2009 and in the same zone are subject to the same standard on-grid tariff applicable to that zone. In addition, the power grid companies are generally required to purchase all of the electricity generated by wind power generating units.

#### Pricing Policy in Singapore

All licensed power plants in Singapore sell their plant output into the NEMS under a half-hourly competitive bidding process, during which a clearing price is determined based on the projected system demand. All successful bids/power plants that are cleared in each half hour will be dispatched automatically by control signals from the Power System Operator, a division of the EMA, and in turn will receive the cleared price as determined earlier. The cleared price paid to the power plants is the nodal price at their point of injection, and the Market Clearing Engine, the computer software that creates dispatch schedules and determines market clearing prices, automatically produces a different price at each node on the network.

As there is no certainty in the price or the dispatch levels for any power plants, operators of power plants may enter into short or long-term financial arrangements with other counterparties or their own subsidiary company involved in the electricity retail market (to end consumers of electricity) to secure stability in their revenue stream and manage the commercial risks associated with operations in a competitive market.

In addition, the major power generating companies, including Tuas Power, are obliged to hold vesting contracts. Vesting contracts are a form of bilateral contract imposed/vested on the generating companies who had been licensed by the EMA before the start of the NEMS. Market Support Services Licensee is the counterparty to all of the vesting contracts, and the vesting contracts are settled between the parties through the EMC's settlement system. The quantity of each power generation company's capacity covered by vesting

contracts depends on the proportion of its capacity to total capacity in the NEMS system. Vesting contract price is set by the EMA at the long run marginal cost and is adjusted by the EMA on a periodic basis for changes in the long run marginal cost and on a quarterly basis for inflation and changes in fuel prices. Such mechanism helps protect the profit margins of the power generating companies in the Singapore market to a large degree. The contract quantity and price are currently recalculated every three months.

The electricity that retailers on-sell to contestable consumers (currently defined as customers with average monthly usage of 10,000kWh and above) has to be purchased from the NEMS. The retailers pay for their electricity purchases at the Uniform Singapore Energy Price, which is a weighted average of nodal prices and is determined on a half-hourly basis in the NEMS.

#### Power sales

Each of our power plants has entered into a written agreement with the local grid companies for the sales of its power output. Generally, the agreement has a fixed term of one year and provides that the annual utilization hours of the power plant will be determined with reference to the average annual utilization hours of the similar generating units connected to the same grid.

In 2003, SERC and the State Administration of Commerce and Industry jointly promulgated a model contract form (the "Model Contract Form") for use by power grid companies and power generating companies in connection with electricity sale and purchase transactions. The Model Contract Form contains provisions on the parties' rights and obligations, amount of electricity subject to purchase, payment method and liabilities for breach of contract, etc. We believe that the publication of the Model Contract Form has facilitated the negotiation and execution of electricity purchase contracts between power grid companies and power generating companies in a fair, transparent and efficient manner. In 2009, all of the agreements entered into between our power plants and the local grid companies were based on the Model Contract Form.

Power sales through competitive bidding are one of the targets of power market reform. The PRC government started in 1999 to experiment with a program to effect power sales through competitive bidding in some provinces, and has been gradually expanding the program with a view to creating a market-oriented electric power industry. Pursuant to the opinions regarding promotion of electric power system reform in the period of "The Eleventh Five-Year Plan" adopted by the State Council in November 2006, the SERC will speed up the reform to establish an electric power market suitable to China's circumstances. Furthermore, the PRC government started in 2009 to experiment with a program for direct power purchase by large power end-users, and has promulgated relevant rules governing the price and method of direct power purchase transaction as well as the market entrance and exit mechanism. In accordance with the above policies, we are conducting research on the program for direct power purchase by large power end-users. However, since the detailed implementation rules governing the program at local level are different among the regions in terms of market entrance condition, scope of experiment, and price and method of direct power purchase, these rules are subject to approvals by relevant central governmental authorities. As of December 31, 2009, the direct power purchase by large power end-users has not been implemented in the regions in which we operate our power plants.

Establishing regional power markets and increasing the use of the bidding method are the general trend in China's power market reform, which is conducive to creating a competition environment that is fair, transparent and equitable. Power sales through bidding process has been experimented in the power market in the Northeastern region and Eastern region. However, as of March 31, 2010, the use of the bidding method in power sales has not been resumed yet. We believe that this reform will benefit us in the long-term. We will adopt different bidding strategies and fully take advantage of the large scales of our power plants in accordance with the specific circumstances of different power grids and different power plants, thereby maximizing our profits in the power bidding process. We also believe that

our large and highly efficient generating units are competitive in a more open, orderly and fair market.

In 2008, with the purpose of improving energy usage efficiency, the government implemented an electricity optimized-dispatch policy in Henan Province, Sichuan Province, Jiangsu Province, Guangdong Province and Guizhou Province on a pilot basis, as a result of which, the utilization hours of low energy consumption and low pollution generating units have been improved. We believe that our large generating units with high efficiency and low emission in Henan, Jiangsu and Guangdong provinces are competitive in the market.

The following table sets forth the average power tariff (RMB/MWh) of electric power sold by our power plants in China, for each of the five years ended December 31, 2009 and the approved power tariff for 2010.

	Year Ended December 31,					
	2005 Average Tariff (1)	2006 Average Tariff (1)	2007 Average Tariff (1)	2008 Average Tariff (1)	2009 Average Tariff(1)	2010 Approved Tariff(1)
Dalian Power Plant	317.58	315.95	323.27	338.05	368.66	376.70
Dandong Power Plant	301.67	322.76	330.38	340.82	366.30	378.50
Yingkou Power Plant(2)	360.09	334.47	343.37	360.45	383.58	375.00
						390.00
Yingkou Cogeneration Power Plant	--	--	--	--	375.00	375.00
Fuzhou Power Plant	367.06	342.46	369.61	401.22	412.24	429.30
Shang'an Power Plant(2)	319.91	340.22	344.47	356.52	372.41	402.30
						386.80
Nantong Power Plant	343.00	344.92	339.47	385.53	401.71	425.00
Nanjing Power Plant	340.65	345.56	342.99	375.47	407.58	425.00
Taicang Power Plant(2)						
Phase I	360.00	361.64	359.69	401.60	412.19	433.10
Phase II	--	371.50	358.08	396.48	398.36	433.10
Huaiyin Power Plant(2)						
Phase I	346.43	366.44	--	--	--	--
Phase II	373.77	362.26	357.47	396.80	415.73	430.00
Phase III	--	362.26	357.47	396.80	415.73	430.00
Shidongkou I	320.30	358.85	369.54	377.35	425.76	440.60
Shidongkou II	357.60	357.08	347.93	377.04	411.80	425.60
Shanghai CCGT Power Plant	--	--	--	602.57	629.00	629.00
Shantou Power Plant(2)						
Phase I	462.83	487.55	497.7	522.42	547.00	540.71
Phase II	--	446.54	453.2	472.96	502.23	496.20
Dezhou Power Plant(2) (Phases I, II & III)	349.56	360.68	360.45	394.08	418.92	423.40
Jining Power Plant(2)						
Phases I, II	323.41	342.42	310.90	356.56	397.40	--
Phase III	323.41	342.42	370.90	384.29	408.47	413.40
Co-generation	--	--	--	--	397.40	397.40
Weihai Power Plant	398.93	402.99	403.00	422.78	459.90	463.50
Xindian Power Plant						
Phases I, II	337.25	350.54	379.71	371.86	--	--
Phase III	--	351.90	356.01	370.99	404.30	404.30
Changxing Power Plant	392.83	408.90	428.16	450.86	479.71	471.70
Yushe Power Plant						
Phase I	319.37	316.16	332.53	345.77	352.89	336.30
Phase II	256.00	268.21	274.16	289.32	316.62	336.30
Qinbei Power Plant	299.77	311.20	311.86	339.85	370.47	391.20
Jinggangshan Power Plant(2)						
Phase I	353.90	369.87	366.94	379.99	415.37	428.00
Phase II	--	--	--	--	406.60	407.00
Yueyang Power Plant						
Phase I	341.34	360.88	366.49	388.53	434.39	440.50
Phase II	--	363.38	378.91	398.62	434.05	440.50

## Luohuang Power Plant(2)

Phases I, II	300.90	314.87	308.65	338.27	365.70	378.30
Phase III	--	337.30	337.30	354.89	381.07	388.30
Pingliang Power Plant	211.43	216.27	223.31	238.89	261.02	281.50
Yuhuan Power Plant	--	360.95	415.05	444.92	467.54	457.00

	Year Ended December 31,					
	2005 Average Tariff (1)	2006 Average Tariff (1)	2007 Average Tariff (1)	2008 Average Tariff (1)	2009 Average Tariff(1)	2010 Approved Tariff(1)
Rizhao Power Plant Phase II	--	--	--	--	394.24	397.40
Jinling Power Plant						
CCGT	--	--	481.99	528.73	544.97	545.00
Coal-fired	--	--	--	--	--	415.00
Qidong Wind Power Plant	--	--	--	--	487.70	487.70
Haimen Power Plant	--	--	--	--	497.45	496.20
Beijing Cogeneration Power Plant	--	--	--	--	482.42	491.80
Yangliuqing Cogeneration Power Plant(2)	--	--	--	--	408.12	436.80
	--	--	--	--	--	382.00
Huade Wind Power Plant	--	--	--	--	--	540.00

Notes: (1) Includes value-added tax.

(2) For the 2010 approved tariff, some power plants may have several different approved tariffs which will be applied to the different generating units of such plants.

#### Power sales in Singapore

As of December 31, 2009, the total licensed capacity in commercial operation in Singapore was 2,670 MW. In 2009, the peak demand for electricity was 5,876 MW and the annual average load was 4,603 MW. The power market in Singapore is competitive, and power generating companies sell their power output through bidding process and vesting contracts. As of December 31, 2009, power sold through vesting contracts presented approximately 55% of the total power sold by the power generating companies.

Tuas Power is required to sell a substantial portion of its electric power output to the NEMS through a competitive bidding process. The gas-fired combined cycle units of Tuas Power enjoy advantages in the competitive biddings of the pool market given their relatively low cost and high efficiency. Tuas Power in turn receives the price cleared in the market for its output. The uncertainty of the revenue associated the sale of electricity in the NEMS is effectively hedged via vesting contracts and direct retail sales which is carried out through a Tuas Power's subsidiary. According to EMA, for each of the past five years ended December 31, 2009, the average annual pool price per MWh of the NEMS was S\$109.90, S\$132.42, S\$124.57, S\$162.53, and S\$109.90, respectively. Tuas Power sells all its electricity output into the NEMS, but the actual settlement tariffs deviate from the pool prices due to the effect of vesting contracts and retail sales. For the period from January 1, 2009 to December 31, 2009, power sold through vesting contracts and retail sales represented approximately 88% of Tuas Power's total power sold for the same period.

#### Fuel supply arrangements

In 2009, the majority of our power plants were fueled by coal, gas or oil.

#### Coal

Most of the coal supply for our coal-fired power plants is obtained from numerous coal producers in Shanxi Province.



In recent years, as part of its efforts to make a transition from a comprehensive planned economy to a "socialist market economy", the PRC has experimented with a variety of methods of setting coal prices. In 1996, the government allowed coal prices to fluctuate within a range around a reference price for coal allocated under the State Plan to be used in electricity generation, and set maximum allowable prices in various coal-producing areas for coal used in electricity generation.

From 2002 to 2003, there was no longer official State Plan for coal supplies, but the government continued to coordinate the coal prices at the annual national coal purchase conferences attended by, among others, representatives of each of power companies, coal suppliers, and the railway authorities and sponsored

and coordinated by NDRC. Power companies obtain allocations for coal on a plant-by-plant basis. Each of the power plants then signs supply contracts with the coal suppliers, and with the railway and shipping companies for the amount of coal and transportation allocated to them. From 2004 to 2008, although such annual coal purchase conferences continue to be held, only key contracts are negotiated and executed at such conferences. Starting from 2009, in furtherance of the coal purchase reform, NDRC ceased to coordinate annual coal purchase conference and took measures to reduce government's involvement in the coal supply negotiation. NDRC will no longer make allocation of coal supply to power companies, but instead will consolidate and publish overall framework for the coal demand and supply. The price and amount of coal supply will be determined based on the free negotiation between power companies, coal suppliers, and the railway authorities.

In 2005, coal price increased by a substantial amount compared to the same period in 2004. We purchased 68.08 million tons of coal and consumed 66.03 million tons of coal. Of our total coal purchases, 55% was purchased under the key contracts and medium and long-term agreements, and the remainder was purchased in the open market. The coal purchase price for our company, including transportation costs and miscellaneous expenses, averaged approximately RMB338.03 per ton.

In 2006, the national supply and demand of coal reached equilibrium. We purchased 67.76 million tons of coal and consumed 68.83 million tons of coal. Of our total coal purchases, 62% was purchased under the key contracts, and the remainder was purchased in the open market. The coal purchase price for our company, including transportation costs and miscellaneous expenses, averaged approximately RMB343.73 per ton.

In 2007, the power generating companies and coal suppliers were permitted to negotiate coal price and execute coal purchase contracts. The government will take temporary interventional measures to regulate coal price only in exceptional circumstances. In 2007, we purchased 76.72 million tons of coal and consumed 77.20 million tons of coal. Of the coal purchases in 2007, 63.3% was purchased under the key contracts and the remainder was purchased in the open market. The coal purchase price for our company, including transportation costs and miscellaneous expenses, averaged approximately RMB417.77 per ton.

In 2008, the average of coal price increased significantly, which adversely affected our results of operations. In 2008, we purchased 88.2 million tons of coal and consumed 85.15 million tons of coal. Of the coal purchases in 2008, 55.4% was purchased under the key contracts and the remainder was purchased in the open market. The coal purchase price for our company, including transportation costs and miscellaneous expenses, averaged approximately RMB584.94 per ton. Our average unit fuel cost in 2008 increased by 46.54% from that in 2007. In 2008, we managed to secure the coal supply by enhancing the coordination between purchase and transportation to stabilize the main supply channel and exploring coal supply resources outside China.

In 2009, the average of coal price decreased significantly. In 2009, we purchased 85.92 million tons of coal and consumed 89.07 million tons of coal. Of the coal purchased in 2009, 56.7% was purchased under the key contracts and the remainder was purchased in the open market. The coal purchase price for our company, including transportation costs and miscellaneous expenses, averaged approximately RMB525.14 per ton. Our average unit fuel cost in 2009 decreased by 13.50% from that in 2008. In 2009, we managed to secure coal supply by expanding our coal import from coal supply resources outside China, which also attributed to a decrease in our average unit fuel cost in 2009.

We strive to reduce our fuel costs in a number of ways, including seeking to purchase high quality coal at competitive prices directly from coal mines or coal shipment terminals, improving coal storage management and inspection and demanding compensation from suppliers for failure to deliver coal of the specified quantity and quality in accordance with the relevant purchase arrangements. We have also started to experiment in some of our power plants with a method of mixing different types of coal as a measure of cost reduction. In order to address the shortage of coal

supplies, we have entered into certain medium and long-term agreements with major coal suppliers to secure stable coal supplies for a term of 3 to 5 years. At the same time, we also increase the percentage of the key coal supply contracts with coal suppliers, the coal purchase price of which is typically lower than the purchase price on open market. Through these measures, we seek to further strengthen the stable coal supplies for our power plants.

We have secured our coal supply for 2010 by entering into key contracts with coal suppliers. We have also entered into coal import contracts to supplement the coal supply for our power plants located in coastal regions, which is expected to further stabilize our fuel cost. However, due to the uncertainties in the coal market and coal transportation capacity, new challenges may arise with respect to the price and supply of coal, thus creating pressure on our cost control.

## Gas

Huaneng Shanghai Combined Cycle Gas Turbine Power Plant ("Shanghai CCGT") is a gas-fired power plant. The gas supply for Shanghai CCGT is transported through the pipeline of "West-East Gas Transport Project".

Huaneng Jinling Combined Cycle Gas Turbine Power Plant ("Jinling CCGT") is a gas-fired power plant. The gas supply for Jinling CCGT is transported through the pipeline of "West-East Gas Transport Project".

Tuas Power has four 367.5 MW gas-fired combined cycle generating units. The gas supply for Tuas Power is provided by Gas Supply Pte Ltd and Sembcorp Pte Ltd.

## Oil

Tuas Power has two 600 MW oil-fired steam generating units. The oil supply for Tuas Power is purchased from open market.

## Repairs and maintenance

Each of our power plants has a timetable for routine maintenance, regular inspections and repairs. Such timetables and the procedures for the repairs and maintenance of generating units comply with the relevant regulations promulgated by the former Ministry of Electricity Power.

Pursuant to our procedures, generating units are currently operating on a cycle of four to six years. In each cycle, there are four different levels of maintenance:

- (i) regular checks and routine maintenance are carried out throughout the period during which generating unit is in operation;
- (ii) a small-scale servicing is performed every year, which takes approximately 20 days;
- (iii) a medium-scale check-up is carried out between the two overhauls, the length of which depends on the actual condition of the generating unit at the time of the check-up and the inspections and improvements to be carried out; and
- (iv) a full-scale overhaul is conducted at the end of each operating cycle, which takes approximately 60 days.

## C. Organizational structure

We are 42.03% owned by HIPDC, which in turn is a subsidiary of Huaneng Group. Huaneng Group was established in 1988 with the approval of the State Council. Huaneng Group also holds an 8.92% equity interest in us either directly or through its wholly-owned subsidiary. In 2002, Huaneng Group was restructured as one of the five independent power generation group companies to take over the power generation assets originally belonging to the State Power Corporation of China. Huaneng Group has a registered capital of RMB20 billion and is controlled and managed by the central government. Huaneng Group is principally engaged in the development, investment, construction, management and operation of energy related projects as well as the production and sale of electricity. In addition to this core business, Huaneng Group also engages in the development, investment, construction, production

and sale of projects and products in the information, transportation, new energy source and environmental industries.

HIPDC was established in 1985 as a joint venture with 51.98% of its equity interests currently owned by Huaneng Group. HIPDC is engaged in developing, investing, operating and constructing power plants in China. Some of the power plants currently owned and operated by us were originally built and later transferred to us by HIPDC. Both Huaneng Group and HIPDC have agreed to give us preferential rights in the power development business and power assets transfers.

The following organizational chart sets forth the organizational structure of HIPDC and us as of March 31, 2010:

20

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Notes: (1) Huaneng Group indirectly holds 100% equity interests in Pro-Power Investment Limited through its wholly-owned subsidiary, China Hua Neng Hong Kong Company Limited, and Pro-Power Investment Limited in turn holds 5% equity interests in HIPDC. As a result, Huaneng Group indirectly holds additional 5% equity interests in HIPDC.

(2) Of the 8.92% equity interest, 8.75% was directly held by Huaneng Group, and the remaining 0.17% was held by Huaneng Group through its wholly-owned subsidiary, China Hua Neng Hong Kong Company Limited.

For a detailed discussion of the Company's subsidiaries, see Note 9 to the Financial Statements.

## D. Property, plants and equipment

The following table presents certain summary information on our power plants as of March 31, 2010.

Plant or Expansion (Names as defined below)	Province/ Municipality	Actual In-service Date	Current Installed Capacity (MW)	Ownership %	Attributable Capacity MW	Type of Fuel
Dalian Phase I	Liaoning	Unit I: Sep. 1988	2 x 350	100%	700	Coal
		Unit II: Dec. 1988				
Phase II		Unit III: Jan. 1999	2 x 350	100%	700	Coal
		Unit IV: Jan. 1999				
Dandong	Liaoning	Unit I: Jan. 1999	2 x 350	100%	700	Coal
		Unit II: Jan. 1999				
Yingkou Phase I	Liaoning	Unit I: Jan. 1996	2 x 320	100%	640	Coal
		Unit II: Dec. 1996				
Phase II		Unit III: Aug. 2007	2 x 600	100%	1,200	Coal
		Unit IV: Oct. 2007				
Yingkou Co-generation	Liaoning	Unit I: Dec. 2009	2 x 330	100%	660	Coal
		Unit II: Dec. 2009				
Fuzhou Phase I	Fujian	Unit I: Sep. 1988	2 x 350	100%	700	Coal
		Unit II: Dec. 1988				
Phase II		Unit III: Oct. 1999	2 x 350	100%	700	Coal
		Unit IV: Oct. 1999				
Shang'anPhase I	Hebei	Unit I: Aug. 1990	2 x 350	100%	700	Coal
		Unit II: Dec. 1990				
Phase II		Unit III: Oct. 1997	2 x 300	100%	600	Coal
		Unit IV: Oct. 1997				

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	Phase III		Unit V: Jul 2008	2 x 600	100%	1,200	Coal
			Unit VI: Aug 2008				
Nantong Phase I	Jiangsu		Unit I: Sep. 1989	2 x 352	100%	704	Coal
			Unit II: Mar. 1990				
	Phase II		Unit III: Jul. 1999	2 x 350	100%	700	Coal
			Unit IV: Oct. 1999				
Nanjing	Jiangsu		Unit I: Mar. 1994	2 x 320	100%	640	Coal
			Unit II: Oct. 1994				
Taicang Phase I	Jiangsu		Unit I: Dec. 1999	2 x 320	75%	480	Coal
			Unit II: Apr. 2000				
	Phase II		Unit III: Jan. 2006	2 x 630	75%	945	Coal
			Unit IV: Feb. 2006				
Huaiyin (1)	Phase II	Jiangsu	Unit III: Jan. 2005	2 x 330	63.64%	420	Coal
			Unit IV: Mar. 2005				
	Phase III		Unit V: May 2006	2 x 330	63.64%	420	Coal
			Unit VI: Sep. 2006				
Jinling	CCGT	Jiangsu	Unit I: Dec. 2006	2 x 390	60%	468	Gas
			Unit II: Mar. 2007				
	Coal-fired		Unit III: Dec. 2009	1,030	60%	618	Coal
Qidong		Jiangsu	Unit I - Unit LXI	91.5	65%	59.5	Wind
Shidongkou I(2)	Shanghai		Unit I: Feb. 1988	4 x 325	100%	1,300	Coal
			Unit II: Dec. 1988				
			Unit III: Sep. 1989				
			Unit IV: May 1990				
Shidongkou II	Shanghai		Unit I: Jun. 1992	2 x 600	100%	1,200	Coal



Unit II: Dec.  
1992

Shanghai CCGT	Shanghai	Unit I: May 2006	3 x 390	70%	819	Gas
		Unit II: Jun. 2006				
		Unit III: Jul. 2006				
Shantou Phase I	Guangdong	Unit I: Jan. 1997	2 x 300	100%	600	Coal
		Unit II: Jan. 1997				
Phase II		Unit III: Oct. 2005	1 x 600	100%	600	Coal

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Plant or Expansion (Names as defined below)	Province/ Municipality	Actual In-service Date	Current Installed Capacity (MW)	Ownership %	Attributable Capacity MW	Type of Fuel
Haimen	Guangdong	Unit I: Jul. 2009	2 x 1,036	100%	2,072	Coal
		Unit II: Oct. 2009				
Dezhou(3)	Shandong	Units I: 1992	1 x 330	100%	330	Coal
		Unit II: 1992	1 x 320	100%	320	Coal
		Phase II Units III: Jun. 1994	1 x 300	100%	300	Coal
		Unit IV: May 1995	1 x 320	100%	320	Coal
		Phase III Units V: Jun. 2002	2 x 700	100%	1,400	Coal
		Unit VI: Oct 2002				
Jining(4)	Shandong	Unit V: Jul. 2003	2 x 135	100%	270	Coal
		Unit VI: Aug. 2003				
		Co-generation Unit I: Nov. 2009	2 x 350	100%	700	Coal
		Unit II: Dec. 2009				
Weihai(5)	Shandong	Units III: Mar. 1998	2 x 320	60%	384	Coal
		Unit IV: Nov. 1998				
Xindian(6)	Shandong	Unit V: Sep 2006	2 x 300	95%	570	Coal
		Unit VI: Nov. 2006				
Rizhao	Shandong	Unit I: Apr. 2000	2 x 350	44%	308	Coal
		Unit II: Apr. 2000				
		Phase II Unit III: Dec 2008	2 x 680	100%	1,360	Coal
		Unit IV: Dec 2008				
Changxing	Zhejiang	Unit I: Jan. 1992	1 x 135	100%	260	Coal
		Unit II: Aug. 1992	1 x 125			
Yuhuan	Zhejiang	Unit I: Nov. 2006	2 x 1,000	100%	2,000	Coal

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			Unit II: Dec. 2006				
	Phase II		Unit III: Nov. 2007	2 x 1,000	100%	2,000	Coal
			Unit IV: Nov. 2007				
Yushe	Phase I	Shanxi	Unit I: Jun. 1994	2 x 100	60%	120	Coal
			Unit III: Dec 1994				
	Phase II		Unit IV: Oct. 2004	2 x 300	60%	360	Coal
			Unit II: Nov. 2004				
Qinbei	Phase I	Henan	Unit I: Nov. 2004	2 x 600	60%	720	Coal
			Unit II: Dec. 2004				
	Phase II		Unit III: Nov. 2007	2 x 600	60%	720	Coal
			Unit IV: Nov. 2007				
Jinggangshan	Phase I	Jiangxi	Unit I: Dec. 2000	2 x 300	100%	600	Coal
			Unit II: Aug. 2001				
	Phase II		Unit III: Nov. 2009	2 x 660	100%	1,320	Coal
			Unit IV: Dec. 2009				
Yueyang	Phase I	Hunan	Unit I: Sep. 1991	2 x 362.5	55%	398.75	Coal
			Unit II: Dec. 1991				
	Phase II		Unit III: Mar. 2006	2 x 300	55%	330	Coal
			Unit IV: May 2006				
Luohuang	Phase I	Chongqing	Unit I: Sep. 1991	2 x 360	60%	432	Coal
			Unit II: Feb. 1992				
	Phase II		Unit III: Dec. 1998	2 x 360	60%	432	Coal
			Unit IV: Dec. 1998				
	Phase III		Unit V: Dec. 2006	2 x 600	60%	720	Coal
			Unit VI: Jan. 2007				
Pingliang(7)		Gansu		3 x 325	65%	633.75	Coal

		Unit I: Sep. 2000				
		Unit II: Jun. 2001				
		Unit III: Jun. 2003				
		Unit IV: Nov. 2003	1 x 300	65%	195	Coal
		Unit V: Feb. 2010	2 x 600	65%	780	Coal
		Unit VI: March 2010				
Huade	Inner Mongolia	Unit I – Unit XXXIII	49.5	99%	49	Wind

Plant or Expansion (Names as defined below)	Province/ Municipality	Actual In-service Date	Current Installed Capacity (MW)	Ownership %	Attributable Capacity MW	Type of Fuel	
Beijing Co-generation	Beijing	Unit I: Jan. 1998	2 x 165	41%	135.3	Coal	
		Unit II: Jan. 1998					
		Unit III: Dec. 1998	2 x 220	41%	180.4	Coal	
		Unit IV: Jun. 1999					
		Unit V: Apr. 2004	75	41%	30.75	Coal	
Yangliuqing Co-generation	Tianjin	Unit I: Dec. 1998	4 x 300	55%	660	Coal	
		Unit II: Sep. 1999					
		Unit III: Dec. 2006					
		Unit IV: May 2007					
Tuas	Phase I	Singapore	Unit I: Mar. 1999	2 x 600	100%	1,200	Oil
			Unit II: Dec 1999				
	Phase II	Unit III: Nov 2001	4 x 367.5	100%	1,470	Natural Gas	
		Unit IV: Jan 2002					
		Unit V: Feb 2005					
		Unit VI: Sep 2005					

## Notes:

- (1) The Unit II of Huaiyin was shut down in January 2009.
- (2) The installed capacities of Unit I and Unit IV of Shidongkou I were expanded to 325 MW in January 2009.
- (3) The installed capacity of Unit IV of Dezhou was expanded to 320 MW in January 2009.
- (4) The Unit IV of Jining was shut down in June 2009.
- (5) The installed capacities of Unit III and Unit IV of Weihai were expanded to 320 MW in January 2009.
- (6) The Unit III and Unit IV of Xindian was shut down in September 2009.

(7) The installed capacities of Unit I, Unit II and Unit III of Pingliang were expanded to 325 MW in January 2009.

The following table presents the availability factors and the capacity factors of our coal-fired operating power plants in China for the years ended December 31, 2007, 2008, and 2009.

	Availability factor (%)			Capacity factor (%)		
	2007	2008	2009	2007	2008	2009
Dalian	97.31	92.86	92.35	83.39	74.01	68.38
Dandong	96.39	90.35	93.40	80.58	68.45	66.51
Yingkou	95.97	91.19	86.53	73.07	66.42	63.12
Fuzhou	93.80	91.53	95.87	66.34	66.11	69.40
Shang'an	92.42	94.05	92.66	63.36	53.18	53.99
Nantong	92.93	92.45	92.28	67.58	67.53	63.55
Nanjing	92.61	85.57	90.14	65.25	61.70	65.17
Taicang	93.35	89.60	94.11	68.60	65.71	73.17
Huaiyin	93.87	91.89	90.98	55.38	54.84	54.06
Shidongkou I	89.06	89.70	88.04	64.35	60.79	63.81
Shidongkou II	90.58	89.86	93.30	75.70	71.47	63.65
Shantou	88.74	88.13	89.84	70.38	66.60	58.96
Dezhou	92.21	90.62	92.67	56.95	60.24	63.75
Jining	96.08	89.15	85.91	59.48	68.61	68.23
Weihai	96.51	93.58	93.55	54.73	60.96	66.35
Xindian	85.62	92.42	88.69	52.03	45.98	63.65
Changxing	91.18	89.68	92.49	70.37	66.38	69.60
Yushe	94.48	88.04	95.35	81.22	70.45	63.69
Qinbei	96.72	97.51	93.91	64.96	49.87	59.50

	Availability factor (%)			Capacity factor (%)		
	2007	2008	2009	2007	2008	2009
Jinggangshan	91.67	92.12	87.88	67.10	60.76	54.45
Yueyang	93.24	86.64	92.07	58.14	51.69	45.01
Luohuang	91.30	89.28	91.17	49.62	49.62	50.69
Pingliang	94.97	92.41	93.46	77.15	68.31	48.30
Yuhuan	94.23	90.32	91.03	60.05	55.33	56.83
Rizhao II	-	8.41	91.51	-	69.14	61.33
Beijing	-	-	94.80	-	-	59.37
Yangliuqing	-	-	93.99	-	-	57.14
Haimen	-	-	99.57	-	-	56.53

The details of our operating power plants and construction projects as of March 31, 2010 are described below.

#### Power Plants in Liaoning Province

Huaneng Dalian Power Plant ("Dalian Power Plant") is located on the outskirts of Dalian, on the coast of Bohai Bay. Dalian Power Plant, including Phase I and Phase II, has an installed capacity of 1,400 MW and consists of four 350 MW coal-fired generating units which commenced commercial operations in 1988 and 1999 respectively.

The coal supply for Dalian Power Plant is obtained from several coal producers located mostly in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and shipped by special 27,000 ton automatic unloading ships to the wharf at the Dalian Power Plant. The wharf is owned and maintained by the Dalian Port Authority and is capable of handling 30,000 ton vessels. Dalian Power Plant typically stores 200,000 tons of coal on site.

In 2009, Dalian Power Plant obtained 54% of its total consumption of coal pursuant to the key contracts and the remainder in the open market. The weighted average cost of coal for Dalian Power Plant in 2009 was RMB554.02 (2008: RMB644.20) per ton.

Dalian Power Plant sells its electricity to Liaoning Electric Power Company.

Huaneng Dandong Power Plant ("Dandong Power Plant") is located on the outskirts of the city of Dandong in Liaoning. Dandong Power Plant had originally been developed by HIPDC which, pursuant to the Reorganization Agreement, transferred all its rights and interests therein to us effective December 31, 1994. In March 1997, we began the construction of Dandong Power Plant, which comprises two 350 MW coal-fired generating units.

The coal supply for Dandong Power Plant is obtained from several coal producers in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and shipped by barge to the Dandong port in Dandong, where it is unloaded and transported to Dandong Power Plant using special coal handling facilities. The wharf is owned and maintained by Dandong Power Plant and is capable of handling 28,000 ton vessels. Dandong Power Plant typically stores 220,000 tons of coal on site.

In 2009, Dandong Power Plant obtained 58% of its total consumption of coal pursuant to the key contracts and the remainder in the open market. The weighted average cost of coal for Dandong Power Plant in 2009 was RMB543.91 (2008: RMB567.64) per ton.

Dandong Power Plant sells its electricity to Liaoning Electric Power Company.

Huaneng Yingkou Power Plant ("Yingkou Power Plant") is located in Yingkou City in Liaoning Province. Yingkou Power Plant Phase I has an installed capacity of 640 MW and consists of two 320 MW supercritical coal-fired generating units which commenced commercial operations in January and December 1996, respectively. Yingkou Power Plant Phase II has an installed capacity of 1,200MW and consists of two 600 MW coal-fired generating units which commenced operations in August and October 2007, respectively.

The coal supply for Yingkou Power Plant is mainly obtained from Shanxi Province. In 2009, Yingkou Power Plant obtained 54% of its total consumption of coal pursuant to the key contracts and the remainder in the open market. The weighted average cost of coal for Yingkou Power Plant in 2009 was RMB503.98(2008: RMB534.56) per ton. Yingkou Power Plant typically stores 400,000 tons of coal on site.



Yingkou Power Plant sells its electricity to Liaoning Electric Power Company.

Huaneng Yingkou Co-generation Power Plant ("Yingkou Co-generation Power Plant") is located in Yingkou City in Liaoning Province. Yingkou Co-generation Power Plant has an installed capacity of 660 MW and consists of two 330 MW generating units which commenced operation in December 2009.

The coal supply for Yingkou Co-generation Power Plant is mainly obtained from Inner Mongolia Autonomous Region. Yingkou Co-generation Power Plant typically stores 140,000 tons of coal on site.

Yingkou Co-generation Power Plant sells its electricity to Liaoning Electric Power Company.

#### Power Plants in Fujian Province

Huaneng Fuzhou Power Plant ("Fuzhou Power Plant") is located on the south bank of the Min River, southeast of the city of Fuzhou. Fuzhou Power Plant, including Phase I and Phase II, has an installed capacity of 1,400 MW and consists of four 350 MW coal-fired generating units which commenced commercial operations in 1988 and 1999, respectively.

The coal supply for Fuzhou Power Plant is obtained from several coal producers located mostly in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and by ship down to the east coast of China and up to the Min River to a wharf located at Fuzhou Power Plant. We own and maintain the wharf, which is capable of handling vessels of up to 20,000 tons and of unloading 10,000 tons to 15,000 tons of coal per day. Fuzhou Power Plant typically stores 180,000 tons of coal on site.

In 2009, the Fuzhou Power Plant obtained 72% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Fuzhou Power Plant in 2009 was RMB581.93 (2008: RMB724.65) per ton.

Fuzhou Power Plant sells its electricity to Fujian Electricity Power Company.

#### Construction Project in Fujian Province

Huaneng Fuzhou Power Plant Phase III ("Fuzhou Power Plant Phase III") is planned to consist of two 660 MW generating units with a total installed capacity of 1,320 MW. We own 100% of the equity interests in this project.

#### Power Plants in Hebei Province

Huaneng Shang'an Power Plant ("Shang'an Power Plant") is located on the outskirts of Shijiazhuang. Shang'an Power Plant has been developed in three separate expansion phases. The Shang'an Power Plant Phase I has an installed capacity of 700 MW and consists of two 350 MW coal-fired generating units which commenced commercial operations in 1990. Shang'an Power Plant Phase II shares with the Shang'an Power Plant Phase I certain facilities, such as coal storage facilities and effluence pipes, which have been built to accommodate the requirements of plant expansions. The Shang'an Power Plant Phase II utilizes two 300 MW coal-fired generating units, which commenced commercial operation in 1997. The Shang'an Power Plant Phase III has an installed capacity of 1200 MW and consists of two 600 MW supercritical coal-fired generating units which commenced commercial operations in July and August 2008, respectively. Unit 5 of Shang'an Power Plant is the first 600MW supercritical air-cooling unit which commenced operation in the PRC.

The coal supply for Shang'an Power Plant is obtained from numerous coal producers in Central Shanxi Province, which is approximately 64 kilometers from Shang'an Power Plant. The coal is transported by rail from the mines to the Shang'an Power Plant. We own and maintain the coal unloading facilities which are capable of unloading 10,000 tons of coal per day. Shang'an Power Plant typically stores 300,000 tons of coal on site.

In 2009, Shang'an Power Plant obtained 51% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Shang'an Power Plant in 2009 was RMB496.76 (2008: RMB464.05) per ton.

Shang'an Power Plant sells its electricity to Hebei Electric Power Company.

#### Construction Project in Hebei Province

Huaneng Kangbao Wind Power Plant ("Kangbao Wind Power") is planned to consist of generating units with a total installed capacity of 49.5 MW. We own 100% of the equity interests in this project.

#### Power Plants in Jiangsu Province

Huaneng Nantong Power Plant ("Nantong Power Plant") is located in the city of Nantong. Nantong Power Plant, including Phase I and Phase II, has an installed capacity of 1,404 MW and consists of two 352 MW and two 350 MW coal-fired generating units which commenced commercial operations in 1989, 1990 and 1999, respectively.

The coal supply for Nantong Power Plant is obtained from several coal producers located mostly in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and then shipped to the Nantong Power Plant. Nantong Power Plant typically stores 300,000 tons of coal on site.

In 2009, Nantong Power Plant obtained 65% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Nantong Power Plant in 2009 was RMB543.16 (2008: RMB589.59) per ton.

Nantong Power Plant sells its electricity to Jiangsu Electric Power Company.

Huaneng Nanjing Power Plant ("Nanjing Power Plant") has an installed capacity of 640 MW consisting of two 320 MW coal-fired generating units which commenced commercial operations in March and October 1994, respectively.

The coal supply for the Nanjing Power Plant is obtained from several coal producers located in the Shanxi and Anhui Provinces. The coal is transported by rail from the mines to Yuxikou Port and Pukou Port and shipped to the plant's own wharf facilities. The wharf is capable of handling 6,000 ton vessels. Nanjing Power Plant typically stores 120,000 tons of coal on site and consumes 5,000 tons of coal per day when operating at maximum generating capacity.

In 2009, Nanjing Power Plant obtained approximately 21% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Nanjing Power Plant in 2009 was RMB612.56 (2008: RMB623.60) per ton.

Nanjing Power Plant sells its electricity to Jiangsu Electric Power Company.

Huaneng Taicang Power Plant ("Taicang Power Plant") is located in the vicinity of Suzhou, Wuxi and Changzhou, which is the most affluent area in Jiangsu Province. Taicang Power Plant is an ancillary facility of the China-Singapore Suzhou Industrial Park. Taicang Power Plant Phase I consists of two 300 MW coal-fired generating units, which commenced operation in December 1999 and April 2000 respectively. Taicang Phase II Expansion consists of two 600 MW coal-fired generating units, which commenced operation in January and February 2006, respectively. In April 2008, the installed capacities of the four units of Taicang Power Plant were upgraded to 320 MW, 320 MW, 630 MW and 630 MW, respectively, which increased the total installed capacity of Taicang Power Plant to 1,900 MW.

The coal supply for Taicang Power Plant is primarily from Shenhua in Inner Mongolia and Datong in Shanxi Province. In 2009, Taicang Power Plant obtained approximately 55% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Taicang Power Plant in 2009 was RMB561.51 (2008: RMB623.15) per ton. Taicang Power Plant typically stores 350,000 tons

of coal on site.

Taicang Power Plant sells its electricity to Jiangsu Electric Power Company.

Huaneng Huaiyin Power Plant ("Huaiyin Power Plant") is located in the Centre of the Northern Jiangsu Power Grid. The plant's two 220 MW coal-fired generating units commenced operation in November 1993 and August 1994, respectively. In order to reduce energy consumption and increase capacity, one generating unit of Huaiyin Power Plant was upgraded in October 2001, which increased the maximum generating capacity of that unit to 220 MW. In 2002, upgrading of the second generating unit was completed, and the actual generating capacity of Huaiyin Power Plant is 440 MW. In December 2007, Unit I of Huaiyin Power Plant was shut down. The other two 330 MW coal-fired generating units of Huaiyin Power Plant Phase II Expansion have commenced commercial operations in January and March 2005, respectively. Huaiyin Power Plant Phase III consists of two 330 MW coal-fired generating units, and was put into operations in May and September 2006, respectively. In

December 2008, we acquired an additional 10% equity interest in Huaiyin Power Plant Phase I and increased our interest to 100%. We hold 63.64% equity interest in Phase II and Phase III of Huaiyin Power Plant. In January 2009, Unit II of Huaiyin Power Plant was shut down.

The coal supply for the Huaiyin Power Plant is primarily from Anhui Province, Henan Province and Shanxi Province. Huaiyin Power Plant typically stores 180,000 tons of coal on site. In 2009, Huaiyin Power Plant obtained approximately 14% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Huaiyin Power Plant in 2009 was RMB596.98 (2008: RMB668.84) per ton.

Huaiyin Power Plant sells its electricity to Jiangsu Electric Power Company.

Huaneng Nanjing Jinling Power Plant ("Jinling Power Plant") is located in Nanjing, Jiangsu. Jinling Power Plant (CCGT) consists of two 390 MW gas-fired generating units, which commenced operation in December 2006 and March 2007, respectively. Jinling Power Plant (Coal-fired) consists of one 1,030 MW domestic ultra-supercritical coal-fired generating unit, which passed the 168-hour trial run in December 2009. We hold 60% equity interest in Phase I and Phase II of Jinling Power Plant.

The gas supply for Jinling Power Plant (CCGT) is transported through the pipeline of "West-East Gas Transport Project". The coal supply for Jinling Power Plant (Coal-fired) is primarily from Shanxi Province and Inner Mongolia Autonomous Region. Jinling Power Plant (Coal-fired) typically stores 300,000 tons of coal on site.

Jinling Power Plant sells its electricity to Jiangsu Electric Power Company.

Huaneng Qidong Wind Power Plant ("Qidong Wind Power Plant") is located in Nantong City, Jiangsu. Qidong Wind Power Phase I has an installed capacity of 91.5 MW and commenced commercial operation in March 2009. We hold 65% equity interest in Qidong Power Plant. As of December 2009, the installed capacity of Qidong Wind Power Plant attributable to us was 59.5 MW.

Qidong Wind Power Plant sells its electricity to Jiangsu Electric Power Company.

#### Power Plants in Shanghai Municipality

Huaneng Shanghai Shidongkou First Power Plant ("Shidongkou I") is located in the northern region of the Shanghai Power Grid. The plant comprises four 325 MW coal-fired generating units, which commenced operation in February and December 1988, September 1989 and May 1990 respectively, and has a total installed capacity of 1,300 MW. The installed capacities of Unit II and Unit III were expanded from 300 MW to 325 MW in September 2007 and January 2008, respectively. The installed capacities of Unit I and Unit V were expanded from 300 MW and 320 MW to 325 MW and 325 MW in January 2010, respectively.

The coal supply for Shidongkou I is primarily from Shanxi Province, Anhui Province and Henan Province. In 2009, Shidongkou I obtained all of its total consumption of coal in the open market. The weighted average cost of coal for Shidongkou I in 2009 was RMB607.50 (2008: RMB763.85) per ton. Shidongkou I Power Plant typically stores 150,000 tons of coal on site.

Shidongkou I sells its electricity to Shanghai Municipal Electric Power Company.

Huaneng Shanghai Shidongkou Second Power Plant ("Shidongkou II") is located in the northern suburbs of Shanghai. Shidongkou II has an installed capacity of 1,200 MW and consists of two 600 MW coal-fired super-critical units

which commenced commercial operations in June and December 1992, respectively.

The coal supply for Shidongkou II is obtained from several coal producers located mostly in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port or Tianjin port and shipped to the plant's own wharf facilities. The wharf is capable of handling 35,000 ton vessels. Shidongkou II typically stores 180,000 tons of coal on site.

In 2009, Shidongkou II obtained 74% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Shidongkou II in 2009 was RMB562.44 (2008: RMB573.63) per ton.

Shidongkou II sells its electricity to Shanghai Municipal Electric Power Company.

Huaneng Shanghai Combined Cycle Gas Turbine Power Plant ("Shanghai CCGT") is located in Baoshan District of Shanghai Municipality. Shanghai CCGT consists of three 390 MW gas-fired combined-cycle generating units with a total installed capacity of 1,170 MW, which were put into operation in May, June and July 2006, respectively.

The gas supply for Shanghai CCGT is transported through the pipeline of "West-East Gas Transport Project". Shanghai CCGT generates electricity during the peak load periods and sells its electricity to Shanghai Municipal Electric Power Company.

#### Power Plants in Guangdong Province

Huaneng Shantou Coal-Fired Power Plant ("Shantou Power Plant") had originally been developed and constructed by HIPDC which transferred all its rights and interests therein to us effective on December 31, 1994. Located on the outskirts of the city of Shantou, Shantou Power Plant was set up with the support of the Shantou municipal government and the Guangdong provincial government. Shantou Power Plant Phase I consists of two 300 MW coal-fired generating units with boilers, which commenced commercial operation in January 1997. Shantou Power Plant Phase II consists of one 600 MW coal-fired generating unit and commenced operation in October 2005.

The coal supply for Shantou Power Plant is obtained from several coal producers located mostly in the northern area of Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and by ship down the east coast of China to the wharf located at Shantou Power Plant, which is maintained by the Shantou Port Authority and is capable of handling 35,000 ton vessels. The Shantou Power Plant typically stores 300,000 tons of coal on site.

In 2009, the Shantou Power Plant obtained 48% of its total consumption of coal pursuant to the key contracts and the remainder was purchased in the open market. The weighted average costs of coal for Shantou Power Plant in 2009 was RMB583.26 (2008: RMB637.95) per ton.

Shantou Power Plant sells its electricity to Guangdong Electric Power Company.

Huaneng Haimen Power Plant ("Haimen Power Plant") is located in Shantou City, Guangdong Province. Haimen Power Plant has an installed capacity of 2,072 MW and consists of two 1,036 MW generating units which commenced operation in July 2009 and October 2009, respectively.

The coal supply for Haimen Power Plant is mainly imported from Indonesia. In 2009, Haimen Power Plant obtained 69% of its total consumption of coal pursuant to the key contracts (including certain coal import contracts) and the remainders in the open market. The weighted average cost of coal for Haimen Power Plant in 2009 was RMB568.34 per ton. Haimen Power Plant typically stores 400,000 tons of coal on site.

Haimen Power Plant sells its electricity to Guangdong Electric Power Company.

#### Power Plants in Shandong Province

Huaneng Dezhou Power Plant ("Dezhou Power Plant") is located in Dezhou City, near the border between Shandong and Hebei Provinces, close to an industrial zone that is an important user of electric power for industrial and commercial purposes.

Dezhou Power Plant comprises of three phases, with Phase I consisting of one 320MW and one 330MW coal-fired generating units, Phase II consisting of two 300 MW coal-fired generating units, and Phase III consisting of two 700 MW coal-fired generating units. The installed capacity of Unit IV was upgraded from 300 MW to 320 MW in January 2009.

Dezhou Power Plant is approximately 200 km from Taiyuan, Shanxi Province, the source of the plant's coal supply. The plant is located on the Taiyuan-Shijiazhuang-Dezhou rail line, giving it access to transportation facilities for coal. In 2009, Dezhou Power Plant obtained approximately 97% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Dezhou Power Plant in 2009 was RMB478.22 (2008: RMB399.02) per ton. The plant is connected to the main trunk rail line at Dezhou by a dedicated 3.5 km spur line owned by us. Dezhou Power Plant typically stores 400,000 tons of coal on site.

Dezhou Power Plant sells its electricity to Shandong Electric Power Company.



Huaneng Jining Power Plant ("Jining Power Plant") is located in Jining City, near the Jining load centre and near numerous coal mines. Yanzhou coal mine, which is adjacent to the plant, alone has annual production of approximately 20 million tons. Jining Power Plant typically stores 100,000 tons of coal on site.

Jining Power Plant facilities have undergone replacement, renovation and construction as necessary. Jining Power Plant has higher rates of auxiliary power and coal consumption than many larger and newer plants. In 2006, Units I and II of Jining Power Plant with a total capacity of 100 MW were shut down. In 2007 Unit III of Jining Power Plant with the capacity of 115 MW was shut down. In June 2009, Unit IV of Jining Power Plant with the capacity of 110 MW was shut down. As a result, Jining Power Plant currently consists of two coal-fired generating units, with an aggregate installed capacity of 270 MW. In addition, Jining Power Plant (Co-generation) has an installed capacity of 700 MW and consists of two 350 MW generating units which commenced operation in November and December 2009, respectively.

In 2009, Jining Power Plant obtained approximately 66% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Jining Power Plant in 2009 was RMB520.22 (2008: RMB482.39) per ton.

Jining Power Plant sells its electricity to Shandong Electric Power Company.

Huaneng Weihai Power Plant ("Weihai Power Plant") is located approximately 16 km southeast of Weihai City, on the shore of the Bohai Gulf. Its location provides access to cooling water for operations and transportation of coal as well as ash and slag disposal facilities. We hold a 60% interest in Weihai Power Plant, the remaining 40% interest of which is owned by Weihai Power Development Bureau ("WPDB").

Weihai Power Plant Phase I consists of two 125 MW generating units (Units I and II), and Phase II consists of two 320 MW generating units (Units III and IV). Unit I began commercial operation in May 1994 and was shut down in December 2008, and Unit II began commercial operation in January 1995 and was shut down in November 2008. Unit III and Unit IV commenced commercial operation in March and November 1998, respectively. Each of the Units III and IV was upgraded from 300 MW to 320 MW in January 2009.

In 2009, Weihai Power Plant obtained approximately 35% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Weihai Power Plant in 2009 was RMB552.92 (2008: RMB651.39) per ton. The coal supply for Weihai Power Plant is obtained from Shanxi Province and Inner Mongolia. Weihai Power Plant typically stores 160,000 tons of coal on site.

Weihai Power Plant sells its electricity to Shandong Electric Power Company.

Huaneng Xindian Power Plant ("Xindian Power Plant") is located in Zibo City of Shandong Province. Xindian Power Plant has an installed capacity of 450 MW and consists of two 225 MW coal-fired generating units which commenced commercial operations in December 2001 and January 2002, respectively, and were shut down in September 2009. Xindian Power Plant Phase III Expansion consists of two 300 MW generating units with a total installed capacity of 600 MW, which were put into operation in September and November 2006, respectively.

The coal supply for Xindian Power Plant is obtained from several coal producers located mostly in Shanxi Province. In 2009, Xindian Power Plant obtained 43% of its total consumption of coal pursuant to the key contracts and the remainder in the open market. The weighted average cost of coal for Xindian Power Plant in 2009 was RMB535.90 (2008: RMB537.93) per ton. Xindian Power Plant typically stores 250,000 tons of coal on site.

Xindian Power Plant sells its electricity to Shandong Electric Power Company.

Huaneng Rizhao Power Plant (“Rizhao Power Plant”) is located in Rizhao City of Shandong Province. Rizhao Power Plant currently has an aggregate installed capacity of 2,060 MW. As of December 31, 2009, the installed capacity of Rizhao Power Plant attributable to us was 1,668 MW. Rizhao Power Plant Phase I has an installed capacity of 700 MW and consists of two 350 MW coal-fired generating units which commenced commercial operations both in April, 2000. We acquired an additional 10% equity interests in Phase I of Rizhao Power Plant in July 2008 and increased our interest to 44%.

We hold 100% equity interest in Phase II of Rizhao Power Plant, which commenced commercial operation in December 2008 and consists of two 680 MW supercritical coal-fired generating units. The coal supply for Phase II of Rizhao Power Plant is obtained from Shanxi Province. In 2009, Phase II of Rizhao Power

Plant obtained 6% of its total consumption of coal pursuant to the key contracts and the remainder in the open market. The weighted average cost of coal for Phase II of Rizhao Power Plant in 2009 was RMB543.70 per ton. Phase II of Rizhao Power Plant typically stores 200,000 tons of coal on site.

Rizhao Power Plant sells its electricity to Shandong Electric Power Company.

#### Power Plants in Zhejiang Province

Huaneng Changxing Power Plant ("Changxing Power Plant") is located at the intersection of Zhejiang Province, Jiangsu Province and Anhui Province. Changxing Power Plant is a key power plant in northern Zhejiang area. It has one 125 MW and one 135 MW coal-fired generating units which commence operation in January and August 1992, respectively.

The coal supply for Changxing Power Plant is primarily from Jungar in Inner Mongolia and Xuzhou in Jiangsu Province. In 2009, Changxing Power Plant obtained approximately 64% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Changxing Power Plant in 2009 was RMB543.67 (2008: RMB561.21) per ton. Changxing Power Plant typically stores 80,000 tons of coal on site.

Changxing Power Plant sells its electricity to Zhejiang Electric Power Company.

Huaneng Yuhuan Power Plant ("Yuhuan Power Plant") is located in Taizhou of Zhejiang Province. Yuhuan Power Plant Phase I consists of two 1,000 MW ultra-supercritical coal-fired generating units with a total installed capacity of 2,000 MW. Unit I and Unit II were put into operations in November 2006 and December 2006, respectively. Yuhuan Power Plant Phase II consists of two 1,000 MW ultra-supercritical coal-fired generating units with a total installed capacity of 2,000 MW, which commenced operations in November 2007.

The coal supply for Yuhuan Power Plant is primarily obtained from Shanxi Province and Inner Mongolia Autonomous Region. In 2009, Yuhuan Power Plant obtained approximately 78% of its total consumption of coal pursuant to the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Yuhuan Power Plant in 2009 was RMB547.33 (2008: RMB646.91) per ton. Yuhuan Power Plant typically stores 500,000 tons of coal on site.

Yuhuan Power Plant sells its electricity to Zhejiang Electric Power Company.

#### Power Plant in Shanxi Province

Huaneng Yushe Power Plant ("Yushe Power Plant") is located in Yushe County of Shanxi Province. Yushe Power Plant Phase I has an installed capacity of 200 MW and consists of two 100 MW coal-fired generating units which commenced commercial operations in August and December 1994, respectively.

Two 300 MW coal-fired generating units of Yushe Power Plant Phase II commenced commercial operations in November and December 2004, respectively.

The coal supply for Yushe Power Plant is obtained from several coal producers located mostly in Shanxi Province. In 2009, Yushe Power Plant obtained approximately 93% of its total consumption of coal from the key contracts and the remainder was obtained in the open market. The weighted average cost of coal for Yushe Power Plant in 2009 was RMB415.94 (2008: RMB410.11) per ton. Yushe Power Plant typically stores 500,000 tons of coal on site.

Yushe Power Plant sells its electricity to Shanxi Electric Power Company.

#### Power Plant in Henan Province

Huaneng Qinbei Power Plant (“Qinbei Power Plant”) is located in Jiyuan City of Henan Province. Its installed capacity is 2,400 MW which consists of four 600 MW supercritical coal-fired generating units. Two units commenced commercial operations in November and December 2004, and the other two units commenced commercial operation in November 2007.

The coal supply for Qinbei Power Plant is obtained from Shanxi Province. In 2009, Qinbei Power Plant obtained 7% of its total consumption of coal pursuant to the key contracts and the remainder was obtained

in the open market. The weighted average cost of coal for Qinbei Power Plant in 2009 was RMB543.48 (2008: RMB522.81) per ton. Qinbei Power Plant typically stores 270,000 tons of coal on site.

Qinbei Power Plant sells its electricity to Henan Electric Power Company.

#### Power Plants in Jiangxi Province

Huaneng Jinggangshan Power Plant ("Jinggangshan Power Plant") is located in Ji'an City of Jiangxi Province. Jinggangshan Power Plant has an installed capacity of 1,920 MW and consists of two 300 MW coal-fired generating units which commenced commercial operation in December 2000 and August 2001 respectively, and two 660 MW generating units which commenced commercial operation in November and December 2009, respectively.

The coal supply for Jinggangshan Power Plant is obtained from Henan Province, Anhui Province and Jiangxi Province. In 2009, Jinggangshan Power Plant obtained 65% of its total coal consumption pursuant to the key contracts and the remainder in the open market. The weighted average cost of coal for Jinggangshan Power Plant in 2009 was RMB595.72 (2008: RMB514.14) per ton. Jinggangshan Power Plant typically stores 255,000 tons of coal on site.

Jinggangshan Power Plant sells its electricity to Jiangxi Electric Power Company.

#### Power Plant in Hunan Province

Huaneng Yueyang Power Plant ("Yueyang Power Plant") is located in Yueyang City of Hunan Province. Yueyang Power Plant Phase I has an installed capacity of 725 MW and consists of two 362.5 MW sub-critical coal-fired generating units which commenced commercial operation in September and December 1991 respectively. Yueyang Power Plant Phase II consists of two 300MW coal-fired generating units with installed capacity of 600 MW, which were put into operation in March and May 2006, respectively.

The coal supply for Yueyang Power Plant is obtained from Datong in Shanxi Province. In 2009, Yueyang Power Plant obtained 59% of its total consumption of coal pursuant to the key contracts and the remainder in the open market. The weighted average cost of coal for Yueyang Power Plant in 2009 was RMB559.28 (2008: RMB531.71) per ton. Yueyang Power Plant typically stores 500,000 tons of coal on site.

Yueyang Power Plant sells its electricity to Hunan Electric Power Company.

#### Construction Project in Hunan Province

Huaneng Yongzhou Xiangqi Hydropower Station ("Yongzhou Xiangqi Hydropower Station") is planned to consist of four 20 MW hydraulic generating units with a total installed capacity of 80 MW. We own 100% equity interest in this project.

Huaneng Yueyang Power Plant Phase III ("Yueyang Power Plant Phase III") is planned to consist of two 600 MW generating units with a total installed capacity of 1200 MW. We own 55% equity interest in this project.

#### Power Plant in Chongqing Municipality

Huaneng Luohuang Power Plant ("Luohuang Power Plant") is located in Chongqing Municipality. Each of Phase I and Phase II of Luohuang Power Plant has an installed capacity of 720 MW and consists of two 360 MW coal-fired generating units. The two units in Phase I commenced commercial operation in September 1991 and February 1992 respectively, and the two units in Phase II commenced commercial operation in December 1998. Luohuang Power

Plant Phase III consist of two 600 MW coal-fired generating units with an installed capacity of 1,200 MW, which were put into operations in December 2006 and January 2007, respectively.

The coal supply for Luohuang Power Plant is obtained from Chongqing Municipality. In 2009, Luohuang Power Plant obtained 40% of its coal supplies from the key contracts and the remainder from the open market. The weighted average cost of coal for Luohuang Power Plant in 2009 was RMB397.16 (2008: RMB368.94) per ton. Luohuang Power Plant typically stores 450,000 tons of coal on site.

Luohuang Power Plant sells its electricity to Chongqing Municipal Electric Power Company.

#### Power Plants in Gansu Province

Huaneng Pingliang Power Plant ("Pingliang Power Plant") is located in Pingliang City of Gansu Province. Pingliang Power Plant consists of three 325 MW and one 300 MW coal-fired generating units which commenced commercial operation in 2000, 2001 and June and November 2003 respectively. The installed capacity of Unit I, Unit II and Unit III of Pingliang Power Plant were expanded from 300 MW to 325 MW in January 2010, respectively.

Pingliang Power Plant Phase II consists of two 600 MW generating units with a total installed capacity of 1200 MW, which commenced commercial operation in February 2010 and March 2010, respectively.

The coal supply for Pingliang Power Plant is obtained from local coal mines. In 2009, Pingliang Power Plant obtained all of its coal supplies from the key contracts. The weighted average cost of coal for Pingliang Power Plant in 2009 was RMB358.80 (2008: RMB219.74) per ton. Pingliang Power Plant typically stores 230,000 tons of coal on site.

Pingliang Power Plant sells its electricity to Gansu Electric Power Company.

#### Construction Project in Gansu Province

Huaneng Gansu Ganhekou Wind Power Plant II ("Ganhekou Wind Power Plant II") is planned to consist of generating units with a total installed capacity of 199.5 MW. We own 100% equity interest in this project.

Huaneng Gansu Qiaowan Wind Power Plant II ("Qiaowan Wind Power Plant II") is planned to consist of generating units with a total installed capacity of 201 MW. We own 100% equity interest in this project.

Huaneng Gansu Qiaowan Wind Power Plant III ("Qiaowan Wind Power Plant III") is planned to consist of generating units with a total installed capacity of 101 MW. We own 100% equity interest in this project.

#### Power Plant in Inner Mongolia Autonomous Region

Huaneng Huade Wind Power Plant ("Huade Wind Power Plant") is located in Huade, Inner Mongolia Autonomous Region. It has an installed capacity of 49.5 MW and consists of 33 wind power generating units which commenced commercial operation in 2009. We own 99% equity interest in this project.

Huade Wind Power Plant sells its electricity to Inner Mongolia Power (Group) Co., Ltd.

#### Power Plant in Beijing Municipality

Huaneng Beijing Co-generation Power Plant ("Beijing Co-generation Power Plant") is located in Beijing Municipality. Beijing Co-generation Power Plant has an installed capacity of 845 MW and consists of two 165 MW generating units, two 220 MW generating units and one 75 MW generating units which commenced commercial operation in January 1998, January 1998, December 1998, June 1999 and April 2004, respectively. We hold 41% equity interest in Beijing Co-generation Power Plant and believe we exercise effective control over Beijing Co-generation Power Plant.

The coal supply for Beijing Co-generation Power Plant is mainly obtained from Inner Mongolia Autonomous Region. In 2009, Beijing Co-generation Power Plant obtained 100% of its total consumption of coal pursuant to the key contracts. The weighted average cost of coal for Beijing Co-generation Power Plant in 2009 was RMB525.06 per ton. Beijing Co-generation Power Plant typically stores 165,000 tons of coal on site.

Beijing Co-generation Power Plant sold its to through North China Electric Power Company in 2009.

Power Plant in Tianjin Municipality

Tianjin Huaneng Yangliuqing Co-generation Power Plant (“Yangliuqing Co-generation Power Plant”) is located in Tianjin Municipality. Yangliuqing Co-generation Power Plant has an installed capacity of 1,200 MW and consists of four 300 MW coal-fired co-generation units which commenced commercial operation in December 1998, September 1999, December 2006 and May 2007, respectively. We hold 55% equity interest in Yangliuqing Co-generation Power Plant.



The coal supply for Yangliuqing Co-generation Power Plant is mainly obtained from Shanxi Province and Inner Mongolia Autonomous Region. In 2009, Yangliuqing Co-generation Power Plant obtained 39% of its total consumption of coal pursuant to the key contracts and the remainders in the open market. The weighted average cost of coal for Yangliuqing Co-generation Power Plant in 2009 was RMB520.40 per ton. Yangliuqing Co-generation Power Plant typically stores 300,000 tons of coal on site.

Yangliuqing Co-generation Power Plant sold its electricity to North China Electric Company in 2009.

#### Power Plant in Singapore

Tuas Power is one of the three largest power generating companies in Singapore, which is located at 60 Tuas South Avenue 9 of west coast of Singapore. Its total installed generating capacity is 2,670 MW, representing approximately 26% of the aggregate installed generating capacity of Singapore as of December 31, 2009. Phase I consists of two 600 MW oil-fired steam generating units and commenced commercial operation in 1999. Phase II consists of four units of 367.5 MW Combined Cycle Plants utilizing natural gas. The four units of Phase II commenced commercial operation in 2001, 2002, 2005 and 2005, respectively.

The oil supply of Tuas Power is obtained through auction in the open market. The gas supply is obtained from Gas Supply Pte Ltd and Sembcorp Pte Ltd.

#### Construction Project in Singapore

Tembusu multi-utilities complex is planned to consist of a co-generation plant, a desalination plant and a wastewater treatment facility, with a total installed capacity of 165 MW. Tuas Power owns 100% equity interest in this project.

#### Competition and dispatch

All power plants in China are subject to dispatch conducted by various dispatch centres. A dispatch centre is required to dispatch electricity pursuant to the Regulations on the Administration of Electric Power Dispatch Networks and Grids, issued by the State Council with effect from November 1, 1993, and in accordance with its agreements with power plants subject to its dispatch. Power generating companies are also required to enter into on-grid dispatch agreements with power grid companies. As a result, there is competition for favorable dispatch treatment in the PRC electric power industry, especially during the off-peak load periods. More efficient power plants usually operate at higher output than less efficient power plants. We believe that in order to increase system stability, large and efficient power plants such as ours will be preferred as base load plants to generate power for the grids to which they connect. We believe that our dispatch arrangements with the local power corporations and dispatch centres, superior quality equipment, lower coal consumption rate, higher efficiency of plant operation, lower emission levels and larger capacity represent competitive advantages in the markets in which we operate.

A number of foreign power developers and foreign companies (including Hong Kong companies), have been pursuing investment opportunities in the PRC electric power industry, which opportunities include the development of power plants (through joint ventures with PRC partners) or the purchase of interests in existing power plants. While we believe that we currently possess advantages over such foreign developers because of our extensive experience in the electric power industry of China and our close relationships with the central and local governments, there can be no assurance that we will not experience increased competition in the future.

In addition to competing with other foreign-invested power generating companies for favorable dispatch arrangements, since 2002, we have also been facing competition from four other major power generating groups: China Power Investment Corporation, China Huadian Power Corporation, China Guodian Power Corporation and

China Datang Power Corporation, which were created following the break-up of the former State Electric Corporation in 2002. Although we were not affected by this reform measure as we have developed good working relationship with the dispatch centres and the relevant government departments in the areas where our power plants are located, there can be no assurance that such good working relationship will not be adversely affected as more power generating companies compete for favorable dispatch treatment.

As power generating companies were separated from power grid companies and more competitors entered into the market, the SERC issued the Interim Measures Regarding Promotion of Openness, Fairness and Equitableness of Power Dispatch, requiring power dispatch centers to treat all competitors indiscriminately in respect of dispatch administration and information disclosure except in cases where safe and stable operation of the electric power system requiring different treatment.

In 2008, with the purpose of improving energy usage efficiency, the government implemented an electricity optimized-dispatch policy in Henan Province, Sichuan Province, Jiangsu Province, Guangdong Province and Guizhou Province on a pilot basis, and plans to roll out to others if the trial operation is successful. In addition, as of December 31, 2009, in all regions in which we operate power plants, the government's power administrative departments take differential power generation plan policies to improve the planned useful hours of the environmental protection and energy convention units.

#### Competition and Dispatch in Singapore

The Singapore power market is highly concentrated, as the three largest power generating companies account for approximately 90% of total generating capacity. Tuas Power competes in the NEMS using its portfolio of gas fired and oil fired generating units. It was able to maintain its market share of approximately 24.3% in the NEMS for 2009. Its major competitors include Senoko Power which is owned by a Japanese/French consortium led by Marubeni Group, PowerSeraya which is owned by YTL Group of Malaysia, SembCorp Cogen and Keppel Merlimau Cogen. Tuas Power's generating units are relatively new with a track record of steady operation and high reliability. The technical and economic parameters of Tuas Power's units make Tuas Power one of the leaders in Singapore's power industry.

In the NEMS, power generating companies compete to generate and sell electricity every half-hour by offering their capacity (specifying price/quantity pairs). The EMC, the operator of Singapore's wholesale electricity market, determines the least-cost dispatch quantities and the corresponding market-clearing or spot prices based on the offers made by power generating companies. The spot prices in the NEMS reflect the least-cost market solution for the dispatch of energy and provision of operating reserves. In general, this means that each power generation company that submitted an offer below the spot price will be dispatched, and a power generation company that submitted an offer above the spot price will not be dispatched. The spot price that power generation companies receive is a nodal price, which may vary according to their location on the network. Nodal prices would be higher in areas where higher transmission losses are incurred in getting the electricity to the load facilities.

#### Environmental regulation

We are subject to the PRC Environmental Protection Law, the regulations of the State Council issued thereunder, the PRC Law on the Prevention and Treatment of Water Pollution, the PRC Law on the Prevention and Treatment of Air Pollution, the Emission Standard of Air Pollutants for Thermal Power Plants (the "New Emission Standards") thereunder and the PRC Law on Ocean Environment Protection (collectively the "National Environmental Laws") and the environmental rules promulgated by the Local Governments in whose jurisdictions our various power plants are located (the "Local Environmental Rules"). According to the National Environmental Laws, the State Environmental Protection Bureau sets national environmental protection standards and local environmental protection bureaus may set stricter local standards. Enterprises are required to comply with the stricter of the two standards.

At present, new projects are subject to the environmental evaluation approval. The project proposal is required to be submitted to the State Environmental Protection Administration ("SEPA") for approval.

Effective July 1, 2003, all power plants in China became subject to the pollutant discharge levy system, pursuant to which discharge fees are levied based on the actual amount of pollutants discharged. As a result, all of our power plants are now required to pay discharge fees in such manner. Under this new regulation, the discharge fees for sulphur dioxide were increased from RMB0.63 per kilogram in 2006 to RMB1.26 per kilogram in 2009. Discharge fees for nitrous oxide were increased to RMB0.63 per kilogram on July 1, 2004. The discharge fees for the dust have been RMB0.28 per kilogram since July 1, 2003. The discharge fees for waste water were increased gradually. Since 2008, certain provinces have raised the rates of waste disposal fees. In 2007, 2008 and 2009, we paid to the local

governments total discharge fees of approximately RMB507 million, RMB537 million and RMB431 million, respectively.

According to the New Emission Standards, promulgated by SEPA and State Technology Supervision Administration with effect from January 1, 2004, more restrictive standards to control sulfur dioxide and nitrous oxide emissions are applicable to all thermal power plant projects for which environmental impact study reports are yet to be approved. These restrictive standards govern both the total sulfur dioxide and nitrous oxide emissions from the power plant and the emission density of each chimney.

In order to meet with the requirement of the New Emission Standards, we have installed flue gas desulphurization (“FGD”) facilities and denitrification facilities with all of our newly constructed generating

units. We have also carried out sulfur disposal reform on the existing generating units. As of the end of 2009, we have installed and operated desulphurization facilities on all our existing coal-fired generating units.

In order to reduce fly ash, we use very high-efficiency electrostatic precipitators. Each power plant is also equipped with a waste water treatment facility to treat water used by the power plant before it is released into the river or the sea. We pay discharge fees on the basis of measurements made at discharge points of each plant where waste is released. All of the disposal equipment and facilities for sulfur dioxide, fly ash, waste water and noise in our existing power plants completely satisfy the existing national standard.

We believe we have implemented systems that are adequate to control environmental pollution caused by our facilities. In addition to the measures identified above, each power plant has its own environment protection office and staff responsible for monitoring and operating the environmental protection equipment. The environmental protection departments of the local governments monitor the level of emissions and base their fee assessments on the results of their tests.

We believe our environmental protection systems and facilities for the power plants are adequate for us to comply with the currently effective national and local environmental protection regulations. It is expected that the PRC Government will impose additional and stricter regulations to implement the emission plan which would require additional expenditure in compliance with environmental regulations.

#### Environmental Regulation in Singapore

Tuas Power's generation operations are mainly subjected mainly to Singapore's Environmental Protection and Management Act and Environmental Public Health Act. The former sets out requirements pertaining to control of pollution and management of hazardous substance while the latter focuses mainly on proper waste management.

To address the environmental concerns and regulatory requirements, Tuas Power has in place an environmental management system. All generating units are equipped with pollution control facilities. Stage I steam plants burns low sulfur content fuel oil and employs electro-precipitator to control sulfur dioxide and particulates emission respectively. Stage II combined-cycle plants burns natural gas and are fitted with low-nitrogen oxide burners to control nitrogen oxide emission. Source emission testing is performed annually and the results are submitted to the Pollution Control Department.

Tuas Power has dedicated wastewater treatment plant to treat its oily wastewater and process wastewater prior to discharge into the sea. The treatment processes are automated to prevent accidental adverse discharge and critical parameters are monitored on a real-time basis. Trade effluent testing is performed annually and the results are shared with the Pollution Control Department.

Land contamination is prevented through well-designed storage and containment procedures. Specific areas for storage of waste and hazardous substances are designated within the power plant.

Waste generated in Tuas Power plants is identified and managed accordingly. Waste with residual value, such as waste oil, is resold to licensed collectors for reuse while other waste is disposed through licensed disposal contractors.

Hazardous substances which have potential to cause environmental pollution are controlled within the power plant compound. Operators who handle these chemicals are competent and the storage concept of these substances is designed to prevent and mitigate the impact of any abnormal release. Regular audits are conducted to ensure these hazardous substances are managed properly and the findings and recommendations for improvements are reported to

the Pollution Control Department.

#### Insurance

We currently maintain property all risks insurance and machinery breakdown insurance for all of our power plants, and construction all risks insurance or erection all risks insurance for all of our newly built and expansion projects as well as large-scaled upgrading projects. Our current insurance coverage on our property, plant and equipment (including construction all risk insurance) is maintained with Yongcheng Property and Casualty Insurance Company, and co-insured by PICC Property and Casualty Company Ltd. and China Pacific Property Insurance Co., Ltd., which amounted approximately RMB182 billion. In July 2009, we renewed the liabilities insurance for our directors and officers with a coverage of US\$10 million.

We do not maintain any third party liability insurance to cover claims in respect of bodily injury or property or environment damage arising from accidents on our property or relating to our operation other than the third party additional risk insurance included in construction all risk insurance or erection all risk insurance. We do not usually carry business interruption insurance either, which is not customarily carried by power companies in the PRC. We believe that our insurance coverage is adequate and is standard for the power industry in China. Please refer to the section entitled “Risk Factors – Risks relating to the Company and the PRC Power Industry – Operating power plants involves many risks and we may not have sufficient insurance coverage to cover the economic losses if any of our power plant’s ordinary operation is interrupted.”

Tuas Power purchases key insurance policies at the beginning of each fiscal year. Tuas Power has purchased industrial all risks and business interruption insurance for all of its power plants. The existing insurance coverage is maintained with American Home Assurance Company, First Capital Insurance Ltd, ACE Insurance Ltd and Royal & Sun Alliance Insurance Plc (Singapore Branch). The insured value under this policy is approximately S\$2.16 billion with a Business Interruption cover of S\$30 million. The product and public liability policy is currently maintained with Allianz Insurance Company of Singapore Pte Ltd. The policy will indemnify Tuas Power against damages which Tuas Power shall be legally liable to pay arising out of injury and/or damage in connection with its business. The directors and office insurance policy was purchased from Chubb and American Home Assurance. Tuas Power also purchased a three-year environment liability insurance policy from American Home Assurance.

#### ITEM Unresolved Staff Comments

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None

#### ITEM Operating and Financial Review and Prospects

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##### A. 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.

#### Critical accounting policies

The Company and its subsidiaries have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact of and any associated risks related to these policies on the business operations are discussed throughout the Operating and Financial Review and Prospects where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 2 to the Financial Statements in Item 17 of this Annual Report on Form 20-F. Note that our preparation of this Annual Report on Form 20-F requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amount of revenue and expenses during the reported periods. There can be no assurance that actual results will not differ from those estimates.



### Depreciation of property, plant and equipment

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:

	2009
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.

Management of the Company decides the estimated useful lives of property, plant and equipment and respective depreciation. The accounting estimate is based on the expected wear and tear incurred during power generation. Wear and tear can be significantly different following renovation each time. When the useful lives differ from the original estimated useful lives, management will adjust the estimated useful lives accordingly. It is possible that the estimates made based on existing experience are different to the actual outcomes within the next financial period and could cause a material adjustment to the depreciation and carrying amount of property, plant and equipment.

### Useful life of 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. As of year end, management of the Company and its subsidiaries considered the estimated useful life for its power generation licence as indefinite. This estimate is based on the expected renewal of power generation licence without significant restriction and cost, together with the consideration on related future cash flows generated and the expectation of management in continuous operations. Based on existing knowledge, that outcomes within the next financial period that are different from assumptions could require a change on carrying amount of power generation licence.

### Impairment of long-lived assets

Goodwill and power generation licence is tested annually for impairment and carried at cost less any accumulated impairment loss. Impairment loss on goodwill is not reversed. Goodwill is allocated to cash-generating units (“CGUs”) according to synergy effect arising from the business combination. The Company and its subsidiaries allocate goodwill to those CGUs based on operating regions.

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 flow. 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.

Key assumptions applied in the impairment tests include the expected tariff rates, demands of electricity in specific regions where these power plants are located and fuel cost. Management determined these key assumptions based on past performance and its expectations on market development. If different judgments were applied, estimates could differ significantly. Actual results could vary materially from these estimates.

#### Newly adopted accounting policies

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

- o 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.

- o 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.
- o 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.

- o 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.
  
- o 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.

#### New accounting pronouncements

For a detailed discussion of new accounting pronouncements, see Note 2(z) to the Financial Statements.

#### B. Operating results

Our financial statements are prepared under IFRS. The following management's discussion and analysis is based on the financial information prepared under IFRS.

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Year ended December 31, 2009 compared with year ended December 31, 2008

	For the Year Ended December 31		Increased/ (Decreased) %
	2009 RMB'000	2008 RMB'000	
Operating revenue	76,862,896	67,835,114	13.31
Sales tax	(151,912 )	(106,385 )	42.79
Operating expenses			
Fuel	(44,861,375)	(49,810,275)	(9.94 )
Maintenance	(2,035,297 )	(1,702,274 )	19.56
Depreciation	(8,572,103 )	(7,718,773 )	11.06
Labor	(3,595,340 )	(3,164,613 )	13.61
Service fees on transmission and transformer facilities of HIPDC transformer HIPDC	(140,771 )	-	-
Purchase of electricity	(3,639,440 )	(2,726,028 )	33.51
Others	(4,692,955 )	(3,842,992 )	22.12
Total operating expense	(67,537,281)	(68,964,955)	(2.07 )
Profit/(Loss) from operations	9,173,703	(1,236,226 )	842.07
Interest income	60,397	83,522	(27.69 )
Financial expenses, net			
Interest expense	(4,260,400 )	(4,064,779 )	4.81
Exchange gain and bank charges , net	(48,925 )	356,836	(113.71 )
Total financial expenses, net	(4,309,325 )	(3,707,943 )	16.22
Share of profits of associates	756,164	72,688	940.29
Loss from fair value changes	(33,638 )	(54,658 )	(38.46 )
Investment income	56,675	51,061	10.99
Profit/(Loss) before income tax expense	5,703,976	(4,791,556 )	219.04
Income tax (expense)/benefit	(593,787 )	239,723	347.70
Profit/(Loss) for the year	5,110,189	(4,551,833 )	212.27
Attributable to:			
Equity holders of the Company	4,929,544	(3,937,688 )	225.19

Minority interests	180,645	(614,145 )	129.41
	5,110,189	(4,551,833 )	212.27

For the year ended December 31, 2009, the Company's total power generation on a consolidated basis amounted to 203.520 billion kWh, representing a 10.23% increase from the year ended December 31, 2008. 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 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 are consolidated into the financial statements of the Company there since.

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

Domestic Power Plant	Power generation in 2009	Power generation in 2008	Change	
Dalian	8.386	9.102	-7.87	%
Fuzhou	8.511	8.129	4.70	%
Nantong	7.816	8.329	-6.16	%
Shang'an	11.824	9.299	27.15	%
Shidongkou II	6.691	7.534	-11.19	%
Dezhou	14.910	14.022	6.33	%
Shidongkou I	6.847	6.757	1.33	%
Shantou Coal-fired	6.198	7.020	-11.71	%
Dandong	4.078	4.209	-3.11	%
Nanjing	3.654	3.469	5.33	%
Jining	2.044	2.290	-10.74	%
Changxing	1.585	1.516	4.55	%

Weihai	3.720	4.495	-17.24	%
Rizhao Phase II	7.307	-	N/A	
Taicang	11.537	10.389	11.05	%
Huaiyin	7.293	7.458	-2.21	%
Yuhuan	19.913	19.442	2.42	%
Xindian	3.345	4.241	-21.13	%
Yushe	4.464	4.951	-9.84	%
Qinbei	12.510	10.514	18.98	%
Luohuang	10.843	11.506	-5.76	%
Shanghai CCGT	0.847	0.598	41.64	%
Yueyang	5.225	6.016	-13.15	%
Yingkou	9.402	10.735	-12.42	%
Yingkou Co-generation	0.123	-	N/A	
Jinggangshan	3.194	3.202	-0.25	%
Pingliang	5.077	7.201	-29.50	%
Jinling CCGT	2.273	2.204	3.13	%
Qidong Wind Power	0.153	-	N/A	
Haimen	3.349	-	N/A	
Beijing Co-generation	4.394	4.998	* -12.08	%
Yangliuqing Co-generation	6.007	6.793	* -11.57	%

\* Beijing Co-generation and Yangliuqing Cogeneration 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 respect of the tariff, the Company's average tariff of coal-fired power plants for the year ended December 31, 2009 was RMB412.28 per MWh, increase of RMB28.16 per MWh from the year ended December 31, 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 the last year, the Company's unit 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 December 31, 2009 increased 13.31% from last year. For the year ended December 31, 2009, the Company and its subsidiaries recorded a net profit attributable to equity holders of the Company of RMB4.930 billion, representing an increase of 225.19% compared to a net loss attributable to equity holders of the Company of RMB3.938 billion for the year ended December 31, 2008. The profit 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 in the first half of 2008, (iv) the carryover effect of the adjustment to 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.

#### Operating revenue

Operating revenue primarily represents power sale revenue. For the year ended December 31, 2009, the consolidated operating revenue of the Company and its subsidiaries amounted to RMB76.863 billion, representing a 13.31% increase from RMB67.835 billion for the year ended December 31, 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.

The following table sets forth the average tariff rate of the Company and its subsidiaries, as well as percentage changes from 2008 to 2009.

Power Plant	Average tariff rate (VAT inclusive) (RMB/MWh)			Change
	2008	2009		
Coal-fired Power Plants				
Dalian	338.05	368.66	9.05	%
Fuzhou	401.22	412.24	2.75	%
Nantong	385.53	401.71	4.20	%
Shang'an	356.52	372.41	4.46	%
Shantou Coal-fired	496.60	525.38	5.80	%
Dandong	340.82	366.30	7.48	%
Shidongkou II	377.04	411.80	9.22	%
Nanjing	375.47	407.58	8.55	%
Dezhou	394.08	418.92	6.30	%
Weihai	422.78	459.90	8.78	%
Jining	378.41	406.10	7.32	%
Shidongkou I	377.35	425.76	12.83	%



Taicang I	401.60	412.19	2.64	%
Changxing	450.86	479.71	6.40	%
Huaiyin Phase II	396.80	415.73	4.77	%
Xindian	371.86	N/A	N/A	
Yushe	305.07	320.53	5.07	%
Yingkou	360.45	383.58	6.42	%
Jinggangshan	379.99	414.16	8.99	%
Luohuang	344.98	373.42	8.24	%
Yueyang	392.58	434.26	10.62	%
Qinbei	339.85	370.47	9.01	%
Pingliang	238.89	261.02	9.26	%
Yuhuan	444.92	467.54	5.08	%
Taicang II	396.48	398.36	0.47	%
Xindian II	370.99	404.30	8.98	%
Haimen	N/A	497.45	N/A	
Rizhao Phase II	N/A	394.24	N/A	
Yingkou Co-generation	N/A	375.00	N/A	
Beijing Co-generation	467.29	482.42	3.24	%
Yangliuqing Co-generation	389.03	408.12	4.91	%
<b>Other Power Plants</b>				
Shanghai CCGT	602.57	629.00	4.39	%
Jinling CCGT	528.73	544.97	3.07	%
Tuas Power	984.53	765.31	-22.27	%
Qidong Wind Power	-	487.70	N/A	

#### Sales tax

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 December 31, 2009, the sales tax amounted to RMB152 million, representing a 42.79% increase from the RMB106 million for the year ended December 31, 2008.

#### Operating expenses

For the year ended December 31, 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 December 31, 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 December 31, 2008.

#### Fuel

Fuel cost represents the majority of the operating expense for the Company and its subsidiaries. For the year ended December 31, 2009, fuel cost of the Company and its subsidiaries decreased 9.94% to RMB44.861 billion from

RMB49.81 billion for the year ended December 31, 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 December 31, 2008.

For the year ended December 31, 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 December 31, 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.

#### Maintenance

For the year ended December 31, 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 December 31, 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.

### Depreciation

For the year ended December 31, 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 December 31, 2008. The increase was primarily attributable to the Company's expansion.

### Labor

Labor costs consist of salaries to employees and contributions payable for employees' housing fund, medical insurance, pension and unemployment insurance, as well as training costs. For the year ended December 31, 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 December 31, 2008. The increase was primarily attributable to the operation of new generating units and newly acquired power plants.

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

Other operating expenses include environmental protection expenses, land fee, insurance premiums, office expenses, amortization, and SinoSing Power's electricity power purchase costs. For the year ended December 31, 2009, other operating expenses (including power purchase costs) of the Company and its subsidiaries was RMB8.473 billion, representing an 28.99% increase from RMB6.569 billion for the year ended December 31, 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 the shutdown of its generating units. 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.

### Financial expenses

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

### Interest expense

For the year ended December 31, 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 December 31, 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.

### Net exchange differences and bank charges

For the year ended December 31, 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 December 31, 2008. For the year ended December 31, 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 December 31, 2008.

### Share of profit of associates

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

Enterprise Income Tax (“EIT”)

For the year ended December 31, 2009, the Company and its subsidiaries recorded an EIT expense of RMB594 million, representing an 347.70% increase from RMB-240 million for the year ended December 31, 2008. The increase was primarily due to the net impact of increase of the Company’s profit for the year ended December 31, 2009 and utilization of previously unrecognized tax losses.

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

For the year ended December 31, 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 December 31, 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 December 31, 2009, the profit attributable to equity holders of the Company was RMB4.930 billion, represented an increase of RMB8.868 billion from a loss of RMB3.938 billion for the year ended December 31, 2008. Combining the foregoing factors, the minority interests increased to RMB181 million for the year ended December 31, 2009 from RMB-614 million for the year ended December 31, 2008.

Year ended December 31, 2008 compared with year ended December 31, 2007

	For the Year Ended December 31		Increased/ (Decreased) %
	2008 RMB'000	2007 RMB'000	
Operating revenue	67,835,114	49,892,049	35.96
Sales tax	(106,385 )	(139,772 )	(23.89 )
Operating expenses			
Fuel	(49,810,275 )	(27,790,310 )	79.24
Maintenance	(1,702,274 )	(1,534,016 )	10.97
Depreciation	(7,718,773 )	(7,225,964 )	6.82
Labor	(3,164,613 )	(2,786,109 )	13.59
Service fees on transmission and transformer facilities of HIPDC transformer HIPDC	-	(140,771 )	
Purchase of electricity	(2,726,028 )	-	
Others	(3,842,992 )	(2,340,179 )	64.22
Total operating expense	(68,964,955 )	(41,817,349 )	64.92
(Loss)/Profit from operations	(1,236,226 )	7,934,928	(115.58 )
Interest income	83,522	53,527	56.04
Financial expenses, net			
Interest expense	(4,064,779 )	(2,132,122 )	90.64
Exchange gain and bank charges , net	356,836	204,134	74.80
Total financial expenses, net	(3,707,943 )	(1,927,988 )	92.32
Share of profits of associates	72,688	586,323	(87.60 )
(Loss)/Gain on fair value changes	(54,658 )	87,132	(162.73 )
Investment income	51,061	585,379	(91.28 )

(Loss)/Profit before income tax expense	(4,791,556 )	7,319,301	(165.46 )
Income tax benefit/(expense)	239,723	(838,270 )	(128.60 )
(Loss)/Profit for the year	(4,551,833 )	6,481,031	(170.23 )
Attributable to:			
Equity holders of the Company	(3,937,688 )	6,161,127	(163.91 )
Minority interests	(614,145 )	319,904	(291.98 )
	(4,551,833 )	6,481,031	(170.23 )

The Company completed its acquisition of SinoSing Power in the first half of 2008. SinoSing Power and its subsidiary, Tuas Power, are consolidated into the financial statements of the Company.

For the year ended December 31, 2008, the Company's total domestic power generation on a consolidated basis amounted to 184.628 billion kWh, representing a 6.30% increase from the year ended December 31, 2007. Yingkou Power Plant, Yuhuan Power Plant, Qinbei Power Plant and Shang'an Power Plant have recorded significant increase in power generation. The increase in the Company's domestic power generation was mainly attributable to: (i) the commencement and stable operation of a number of new power generating units in 2008, was a key factor for the Company's power generation growth;(ii) the Company's enhancement in its marketing efforts, in response to the significant changes of economic environment in 2008, including the formulation of feasible and effective marketing strategies and measures that fully show case the

competitive advantages of the power plants of the Company which accelerated the growth of power generation of the Company; and(iii) the Company's maintenance program has resulted in optimizations the capacity of generating units.

The power generation of the Company's domestic power plants for the year ended December 31, 2008 was listed below (in billion kWh):

Domestic Power Plant	Power generation in 2008	Power generation in 2007	Change	
Dalian	9.102	10.227	-11.00	%
Fuzhou	8.129	8.136	-0.09	%
Nantong	8.329	8.345	-0.19	%
Shang'an	9.299	7.216	28.87	%
Shidongkou II	7.534	7.957	-5.32	%
Dezhou	14.022	13.22	6.07	%
Shidongkou I	6.757	6.99	-3.33	%
Shantou Coal-fired	7.020	7.408	-5.24	%
Dandong	4.209	4.941	-14.81	%
Nanjing	3.469	3.658	-5.17	%
Jining	2.290	2.579	-11.21	%
Changxing	1.516	1.603	-5.43	%
Weihai	4.495	4.075	10.31	%
Taicang	10.389	10.817	-3.96	%
Huaiyin	7.458	8.539	-12.66	%
Yuhuan	19.442	11.772	65.15	%
Xindian	4.241	4.785	-11.37	%
Yushe	4.951	5.692	-13.02	%
Qinbei	10.514	7.12	47.67	%
Luohuang	11.506	11.241	2.36	%
Shanghai CCGT	0.598	0.533	12.20	%
Yueyang	6.016	6.748	-10.85	%
Yingkou	10.735	6.207	72.95	%
Jinggangshan	3.202	3.527	-9.21	%
Pingliang	7.201	8.11	-11.21	%
Jinling CCGT	2.204	2.242	-1.69	%

In respect of the tariff, the Company's domestic average tariff for the year ended December 31, 2008 was RMB387.34 per MWh, increase of RMB27.63 per MWh from the year ended December 31, 2007. The Company's overseas average tariff for the year ended December 31, 2008 was RMB984.53 per MWh.

In respect of fuel supply and cost controls, the high coal market price and the upward adjustments on the key coal contracts contributed to the significant increase in fuel cost of the Company. Compared to the last year, the Company's unit fuel cost per unit of power sold in PRC increased by 46.54% to RMB253.66 per MWh. The Company's unit fuel cost per unit of power sold outside PRC was RMB799.27 per MWh.

Combining the foregoing factors, the operating revenue of the Company and its subsidiaries for the year ended December 31, 2008 increased 35.96% from last year. For the year ended December 31, 2008, the Company and its subsidiaries recorded a loss attributable to equity holders of the Company of RMB3.938 billion, representing a

decrease of 163.91% compared to the profit attributable to equity holders of the Company of RMB6.161 billion for the year ended December 31, 2007. The loss was primarily due to the significant increase in fuel price.

#### Operating revenue

Operating revenue represents the fair value of the consideration received or receivable for electricity sold (net of VAT or GST and after taking into account amounts received in advance). For the year ended December 31, 2008, the consolidated operating revenue of the Company and its subsidiaries amounted to RMB67.835 billion, representing a 35.96% increase from RMB49.892 billion for the year ended December 31, 2007. The increase in operating revenue was primarily attributable to the new generating units' commencement of operation and the acquisition. The operation of new generating units contributed RMB7.011 billion to the increase, and SinoSing Power contributed RMB10.36 billion to the increase, of which about RMB3.586 billion were revenue from retail business.

The following table sets forth the average tariff rate of the Company and its subsidiaries, as well as percentage changes from 2007 to 2008.



Power Plant	Average tariff rate (VAT inclusive) (RMB/MWh)			Change
	2007	2008		
Dalian	323.27	338.05	4.57	%
Fuzhou	369.61	401.22	8.55	%
Nantong	339.47	385.53	13.57	%
Shang'an	344.47	356.52	3.50	%
Shantou Coal-fired	476.26	496.60	4.27	%
Dandong	330.38	340.82	3.16	%
Shidongkou II	347.93	377.04	8.37	%
Nanjing	342.99	375.47	9.47	%
Dezhou	360.45	394.08	9.33	%
Weihai	403.00	422.78	4.91	%
Jining	350.80	378.41	7.87	%
Shidongkou I	369.54	377.35	2.11	%
Taicang	359.69	401.60	11.65	%
Changxing	428.16	450.86	5.30	%
Huaiyin Phase II	357.47	396.80	11.00	%
Xindian	379.71	371.86	-2.07	%
Yushe	288.45	305.07	5.76	%
Yingkou	343.37	360.45	4.97	%
Jinggangshan	366.94	379.99	3.56	%
Luohuang	319.86	344.98	7.85	%
Yueyang	372.19	392.58	5.48	%
Qinbei	311.86	339.85	8.98	%
Pingliang	223.31	238.89	6.98	%
Yuhuan	415.05	444.92	7.20	%
Taicang II	358.08	396.48	10.72	%
Xindian II	356.01	370.99	4.21	%
Jinling CCGT	481.99	528.73	9.70	%
Consolidated (Domestic)	359.71	387.34	7.68	%

#### Sales tax

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 December 31, 2008, the sales tax amounted to RMB106 million, representing a 23.89% decrease from the RMB140 million for the year ended December 31, 2007.

#### Operating expenses

For the year ended December 31, 2008, the total operating expenses of the Company and its subsidiaries was RMB68.965 billion, representing a 64.92% increase from RMB41.817 billion for the year ended December 31, 2007.

The increase was primarily attributable to the increase in fuel prices, the operation of new generating units and the acquisition. The operation of new generating units contributed RMB6.774 billion to the increase, and SinoSing Power

contributed RMB9.840 billion. Excluding these two factors, the operating expenses increased by RMB10.534 billion due to the significant increase in coal prices.

#### Fuel

Fuel cost represents the majority of the operating expense for the Company and its subsidiaries. For the year ended December 31, 2008, fuel cost of the Company and its subsidiaries increased 79.24% to RMB49.81 billion from RMB27.79 billion for the year ended December 31, 2007. The increase was primarily attributable to fuel price rise, operation of new generating units and the acquisition. The operation of new generating units accounted for RMB5.447 billion of the increase, and SinoSing Power contributed RMB5.885 billion.

For the year ended December 31, 2008, the average price (excluding tax) of natural fuel coal was RMB524.53 per ton, representing a 40.34% increase from RMB373.76 for the year ended December 31, 2007. Because of the significant price rise, the Company's unit fuel cost per unit of power sold in PRC increased 46.54% to RMB253.66 per MWh.

#### Maintenance

For the year ended December 31, 2008, the maintenance expenses of the Company and its subsidiaries amounted to RMB1.702 billion, representing a 10.97% increase from RMB1.534 billion for the year ended December 31, 2007. The increase was primarily due to the operation of new generating units and acquisition, the operation of new generation units contributed a total increase of RMB208 million. SinoSing Power accounted for RMB37 million of the increase. The maintenance expenses of the existing generators have decreased when compared to previous financial year.

### Depreciation

For the year ended December 31, 2008, depreciation expenses of the Company and its subsidiaries increased by 6.82% to RMB7.719 billion from RMB7.226 billion for the year ended December 31, 2007. The increase was primarily attributable to the Company's expansion.

### Labor

Labor costs consist of salaries to employees and contributions payable for employees' housing fund, medical insurance, pension and unemployment insurance, as well as training costs. For the year ended December 31, 2008, the labor costs of the Company and its subsidiaries amounted to RMB3.165 billion, representing a 13.59% increase from RMB2.786 billion for the year ended December 31, 2007. RMB75 million of the increase was attributable to SinoSing Power and, the remaining was mainly attributable to operation of new generating units and the higher mandatory contributions payable for social security purposes.

### Other operating expenses (including electricity power purchase costs)

Other operating expenses include environmental protection expenses, land fee, insurance premiums, office expenses, amortization, and SinoSing Power's electricity power purchase costs. For the year ended December 31, 2008, other operating expenses of the Company and its subsidiaries was RMB6.569 billion, representing an 180.71% increase from RMB2.340 billion for the year ended December 31, 2007. The increase was primarily attributable to the operation of new generating units and the acquisition, the operation of new operating units contributed RMB318 million. SinoSing Power contributed to the operating expenses of approximately RMB3.509 billion, of which RMB2.726 billion was electricity power purchase cost.

### Financial expenses

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

### Interest expense

For the year ended December 31, 2008, the interest expense of the Company and its subsidiaries was RMB4.065 billion, representing a 90.64% increase from RMB2.132 billion for the year ended December 31, 2007. The increase was primarily attributable to the extra financing to pay increased fuel costs; expensing instead of capitalizing interest upon commercial operation of new generating units, which accounted for RMB640 million of the increase; and the financing to acquire SinoSing Power, which accounted for RMB309 million of the increase.

### Net exchange differences and bank charges

For the year ended December 31, 2008, the exchange gains less bank charges of the Company and its subsidiaries amounted to RMB357 million, compared to RMB204 million for the year ended December 31, 2007. For the year ended December 31, 2008, the Company and its subsidiaries realized net exchange gains of RMB409 million from foreign loans of domestic operation, representing an increase of RMB177 million from RMB232 million for the year ended December 31, 2007. SinoSing Power also accounted for RMB47 million of the increase.

### Share of profit of associates

For the year ended December 31, 2008, the share of profit of associates was RMB73 million, an RMB513 million decrease from RMB586 million for the year ended December 31, 2007. The decrease was primarily due to reduced

profit of associates engaged in power generation caused by higher fuel price.

#### Enterprise Income Tax (“EIT”)

The Company’s domestic operations are subject to the newly adopted PRC tax law which took effect on January 1, 2008. SinoSing Power and Tuas Power are subject to an enterprise income tax rate of 18% in Singapore. For the year ended December 31, 2008, the Company and its subsidiaries recorded an EIT benefit of RMB240 million, representing a 128.60% decrease from an EIT expense of RMB838 million for the year ended December 31, 2007. SinoSing Power contributed an RMB95 million increase in the Company’s EIT expense. The decrease in EIT was mainly due to the significant operating loss qualifying for deferred tax assets recognition for the year ended December 31, 2008.

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

For the year ended December 31, 2008, the Company and its subsidiaries recorded a loss of RMB4.552 billion, or a decrease of RMB11.033 billion compared to profit of RMB6.481 billion for the year ended December 31, 2007. The loss was largely attributable to increased fuel prices. For the year ended December 31, 2008, the loss attributable to equity holders of the Company was RMB3.938 billion, represented a decrease of RMB10.099 billion compared to profit of RMB6.161 billion for the year ended December 31, 2007. The loss attributable to equity holders of the Company from overseas operations was RMB1.0 million. Combining the foregoing factors, the minority interests decreased to RMB-614 million for the year ended December 31, 2008 from RMB320 million for the year ended December 31, 2007.

## C. Financial position

### General

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.

### Assets

As of December 31, 2009, total assets of the Company and its subsidiaries amounted to RMB197.887 billion, representing a 19.27% increase from RMB165.918 billion as of December 31, 2008. Including which, 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 by RMB4.172 billion, or 20.84%, to RMB24.190 billion, primarily due to the increase in accounts receivable as a result of the expansion of our operation scale and input VAT recoverables arising from acquisitions of property, plant and equipment and construction materials.

### Liabilities

As of December 31, 2009, total liabilities of the Company and its subsidiaries amounted to RMB147.239 billion, representing a 19.36% increase from RMB123.358 billion as of December 31, 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 debentures.

As of December 31, 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 debentures and notes payable. Including which, the interest-bearing debts denominated in foreign currencies amounted to RMB8.195 billion.

### Shareholder's equity

Excluding the impact of profit and profit appropriations, the Company's equity items increased for the year ended December 31, 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.

### 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 of year end / balance of current liabilities as of year end

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

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

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

The current ratio and quick ratio remained at relatively low level as of December 31, 2009 and 2008, and there is slightly increased 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 December 31, 2009.

#### D. Liquidity and cash resources

The primary sources of funding for the Company and its subsidiaries have been cash provided by internal funds from operating activities, short-term and long-term loans and proceeds from issuances of bonds, and the primary use of funds have been for working capital, capital expenditure and repayments of short-term and long-term borrowings.

As of December 31, 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 expenses.

#### Cash flows from operating activities

	For the Year Ended December 31,		
	2009	2008	2007
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit/(Loss) before income tax expense	5,703,976	(4,791,556 )	7,319,301
Non-cash items adjustments	12,751,842	11,609,206	7,680,319
Changes in working capital	(3,043,647 )	(1,289,849 )	(1,781,479 )
Interest received	59,919	72,940	52,825
Income tax paid	(491,100 )	(414,848 )	(1,192,133 )
Net cash provided by operating activities	14,980,990	5,185,893	12,078,833

Net cash provided by operating activities is the main source of cash for the Company. For the year ended December 31, 2009, net cash provided by operating activities of the Company and its subsidiaries was RMB14.981 billion. The net cash provided by operating activities was higher than that of the prior year mainly because of a profit before income tax expense of RMB5.704 billion due 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. The net cash provided by operating activities amounted to RMB5.186 billion in 2008 which was lower than that of RMB12.079 billion in 2007, mainly due to a loss before income tax expense of RMB4.792 billion due to the increase of fuel price and the increase in inventory of RMB2.159 billion.





## Cash flows used in investing activities

	For the year ended December 31,		
	2009	2008	2007
	RMB'000	RMB'000	RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment	(22,426,098)	(27,893,520)	(14,223,310)
Proceeds from disposals of property, plant and equipment, net	39,272	25,336	270,131
Prepayments of land use rights	(167,435 )	(76,050 )	(216,752 )
Prepayments of territorial waters use right	-	-	(152,409 )
Increase in other non-current assets	(27,138 )	(16,004 )	(6,247 )
Cash dividend received	540,182	381,854	518,934
Capital injections in associates	(548,500 )	(281,754 )	(1,654,000 )
Purchases of financial assets at fair value through profit or loss	-	-	(370,189 )
Cash paid for acquiring available-for-sale financial assets	-	(146,375 )	(449,457 )
Proceeds from trading of available-for-sale financial assets	-	-	603,411
Cash consideration paid for acquisitions	(2,355,762 )	(21,772,563)	(485,750 )
Acquisition of minority interest of a subsidiary	-	(67,485 )	-
Cash from acquisition of subsidiaries	419,885	1,624,108	259,924
Cash outflow upon deemed disposal of Sichuan Hydropower	-	-	(322,176 )
Cash received on repayment of a loan receivable	-	254,255	-
Others	(354,667 )	11,133	(29,465 )
Net cash used in investing activities	(24,880,261)	(47,957,065)	(16,257,355)

Net cash used in investing activities amounted to approximately RMB24.880 billion, RMB47.957 billion and RMB16.257 billion in 2009, 2008 and 2007. The cash used in investing activities in 2009 was mainly for the acquisition of power plants and capital expenditure for construction projects. The increase in net cash used in investing activities in 2008 was mainly for the acquisition of Tuas Power and increased capital expenditure for construction projects.

Net cash used in investing activities was primarily the capital expenditure used in purchasing and constructing fixed assets. In 2010, the Company will continue to invest large amount of capital into the construction of projects.

## Cash flows from financing activities

	For the year ended December 31,		
	2009	2008	2007
	RMB'000	RMB'000	RMB'000
Cash flows from financing activities			
Issuance of short-term bonds	9,960,000	4,980,000	4,980,000
Repayments of short-term bonds	(5,000,000 )	(5,000,000 )	(5,000,000 )
Drawdown of short-term loans	40,892,075	57,696,660	23,898,505
Repayments of short-term loans	(29,251,246)	(39,483,770)	(19,771,700)

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Drawdown of long-term loans	32,505,000	36,656,286	8,186,176
Repayments of long-term loans	(37,317,607)	(10,254,438)	(3,492,975 )
Issuance of long-term bonds	3,939,850	3,933,302	5,903,644
Interest paid	(5,378,244 )	(4,731,749 )	(2,722,935 )
Net capital injection from minority shareholders of the subsidiaries	260,533	1,162,562	116,890
Government grants	420,766	236,013	-
Dividends paid to shareholders of the Company	(1,241,633 )	(3,570,334 )	(3,375,507 )
Dividends paid to minority shareholders of the subsidiaries	(253,971 )	(301,662 )	(434,205 )
Others	(31,637 )	(67,579 )	-
Net cash provided by financing activities	9,503,886	41,255,291	8,287,893

Net cash inflow provided by financing activities in 2009 amounted to RMB9.504 billion primarily because (i) the proceeds from loans exceeded repayments of loans by approximately RMB6.8 billion and (ii) the proceeds from short-term debentures exceeded repayments of short-term debentures by approximately RMB5.0 billion and (iii) the Company issued long-term bonds in the amount of RMB4.0 billion and net capital injection from minority shareholders of the subsidiaries amounted to RMB0.261 billion, the net cash inflow was partially offset by the dividends and interest of approximately RMB6.874 billion.

Net cash inflow provided by financing activities in 2008 amounted to RMB41.255 billion primarily because (i) the proceeds from loans exceeded repayments of loans by approximately RMB44.6 billion and (ii) the Company issued long-term bonds in the amount of RMB4.0 billion and net capital injection from minority shareholders of the subsidiaries amounted to RMB1.162 billion, the net cash inflow was partially offset by the dividends and interest of approximately RMB8.604 billion.

Net cash inflow provided by financing activities in 2007 amounted to RMB8.288 billion primarily because (i) the Company issued long-term bonds in the amount of RMB6.0 billion, and (ii) our proceeds from loans exceeded repayments of loans which were offset by dividends and interest by approximately RMB2.287 billion.

#### Cash and cash equivalents

	For the year ended December 31,		
	2009	2008	2007
	RMB'000	RMB'000	RMB'000
Exchange gain / (loss)	55,742	(229,759 )	(4,298 )
Net (decrease) / increase in cash and cash equivalents	(339,643 )	(1,745,640)	4,105,073
Cash and cash equivalents, beginning of the year	5,566,625	7,312,265	3,207,192
Cash and cash equivalents as of the end of the year	5,226,982	5,566,625	7,312,265

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

As of December 31, 2008, the cash and cash equivalents of the Company and its subsidiaries denominated in RMB, Singapore dollar, US dollar and Japanese Yen were RMB4.390 billion, RMB1.165 billion, RMB5.737 million and RMB6.105 million, respectively.

As of December 31, 2007, the Company's cash and cash equivalents amounted to RMB7.312 billion, of which, cash in RMB accounted for RMB0.528 million, current deposits in RMB accounted for RMB7.311 billion, and current deposits in US dollar accounted for RMB1.111 million.

#### Capital expenditure and cash resources

##### Capital expenditures on acquisitions

On March 31, 2009, the Company purchased from Huaneng New Energy, a subsidiary of Huaneng Group, 65% equity interest in Qidong Wind Power for a consideration of RMB103 million.

In September 2009, the Company purchased 55% equity interest in Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company and 41% equity interest in Huaneng Beijing Co-generation Limited Liability Company for a consideration of approximately RMB2.348 billion.

In July 2008, the Company purchased an additional 10% equity interest in Phase I of Rizhao Power Plant for a consideration of approximately RMB135 million, and increased our interest to 44%.

In December 2008, the Company purchased an additional 10% equity interest in Huaiyin Power Plant Phase I for a consideration of approximately RMB67.4 million, and increased our interest to 100%.

SinoSing Power was incorporated in Singapore by Huaneng Group as a wholly owned subsidiary on March 10, 2008. On March 24, 2008, SinoSing Power acquired 100% equity interests in Tuas Power from Temasek Holdings (Private) Limited (“Temasek”). On April 29, 2008, the Company entered into a transfer agreement with Huaneng Group, pursuant to which the Company agreed to acquire from Huaneng Group the 100% equity interest in SinoSing Power. The consideration to be paid by the Company comprised (i) approximately US\$985 million for capital investment in SinoSing Power by Huaneng Group; and (ii) an

aggregate amount of approximately RMB176 million for all related expenses (including loan interest) directly incurred by Huaneng Group in relation to its acquisition of the 100% equity interest in Tuas Power. The consideration totaled RMB7.08 billion.

The Company continues to follow the strategy of a balance between development and acquisition by proactively seeking new acquisition opportunities to ensure the sustainable growth of profitability and shareholders' value. Since there are uncertainties associated with asset acquisition projects and their scales, the level of capital expenditures required are also uncertain. However, the Company believes that its cash flows from operating activities and the sound financing capability should provide it with a sufficient cash supply for asset acquisition projects.

#### Capital expenditures on construction and renovation projects

The capital expenditures for the year ended December 31, 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 Jingtangshan expansion project, RMB2.458 billion for Jinling (Coal-fired) expansion 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 on construction and renovation amounted to approximately RMB27.986 billion and RMB14.701 billion in 2008 and 2007, 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 following table sets forth the cash requirements, usage plans and cash resources of the Company for the next two years.

Project	Capital expenditure arrangements		Contractual arrangements		Financing methods	Funding resources arrangements	Financing costs and note on usage
	2010	2011	2010	2011			
(RMB in billions)							
Thermal power projects	14.47	17.715	14.47	17.715	Debts and planned	Internal cash funding &	Within the floating

					equity financing	bank loans, etc.	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	-

#### Cash resources and anticipated financing costs

The Company expects to finance its capital expenditure 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 of December 31, 2009, the Company and its subsidiaries had aggregate undrawn banking facilities of RMB27.962 billion.

As resolved at the 2008 annual general meeting of shareholders on June 18, 2009, the Company was mandated to issue within the PRC unsecured short-term debentures 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 unsecured short-term debentures in two installments on September 9, 2009 and March 23, 2010, each at principal amount of RMB5 billion bearing annual interest rate of 2.32% and 2.55%, respectively. Both of the bonds were denominated in Renminbi, issued at par value, and would mature in 270 days. The effective interest rate for the debentures were 2.87% and 3.10% per annum. As resolved at the 2007 annual general meeting of shareholders on May 13, 2008, the Company was mandated to issue within the PRC unsecured short-term debentures 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 short-term debentures in two installments on July 25, 2008 and February 24, 2009, each at principal amount of RMB5 billion bearing annual interest rate of 4.83% and 1.88%, respectively. Both of the debentures were denominated in Renminbi, issued at par value, and would mature in 365 days. The effective interest rates for the two debentures were 5.25% and 2.29% per annum, respectively. The RMB5 billion unsecured short-term debentures issued by the Company on July 25, 2008 was repaid in July 2009.

As resolved at the extraordinary shareholders meeting on December 23, 2008, the Company was mandated to issue within the PRC medium-term notes of a 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 of December 31, 2009, short-term borrowings of the Company and its subsidiaries totaled RMB24.730 billion (2008: RMB28.745 billion). Including which, bank loans were charged at interest rates ranging between 1.30% and 7.47% per annum (2008: 1.42% to 7.47%). Short-term debentures payable by the Company and its subsidiaries totaled RMB10.101 billion (2008: RMB5.096 billion).

As of December 31, 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 Euro105 million (2008: approximately Euro 56 million). Included in the above, US dollar denominated borrowings were approximately US\$820 million (2008: US\$1.319 billion) floating-rate borrowings. Japanese Yen and Singapore dollar denominated borrowings were all floating-rate borrowings. For the year ended December 31, 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.

#### 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.



## Maturity profile of loans

The following table sets forth the maturity profile of the Company's loans as of December 31, 2009.

## Maturity Profile

(RMB billions)	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

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

- (2) The amount of the principal to be repaid in 2010 is relatively large compared to the amount presented in the "Tabular disclosure contractual obligations and commercial commitments" because this includes expected repayment of short-term loans and short-term debentures.

## E. Trend information

## The major trend of the electricity power market

According to the National Power Industry Statistics Express for 2009 issued by China Electricity Council, as of December 31, 2009, nationwide installed capacity reached 874,000 MW, representing a 10.34% year-on-year increase. For the year ended December 31, 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 capacity, representing a 6.7% increase from the year ended December 31, 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 generating equipment dropped continuously and considerably. For the year ended December 31, 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 December 31, 2008. Utilization hours of thermal power generating equipment were 4,839 hours, representing a decrease of 46 hours from the same period last year.

According to the 2010 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.

In response to new market circumstance, the Company will strive to increase equipment reliability; enhance marketing efforts; strengthen research and application of government policies on energy saving and emission reduction as well as related generation and dispatch practices, and on direct power purchase by large power end-users. It will also pursue market expansion, and take full advantages of its generating units on efficiency, energy saving and environment protection to increase utilization hours. The Company will also set up rolling planning adjustment mechanism to design appropriately and develop, construct and complete rapidly construction projects in those areas favorable for power market in line with government guidelines, increase overall competitive strengths, maintain the ability for sustained development, and enhance the Company's capabilities in risk management and continuous growth.

The trend of the 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 the 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.

Under such circumstance, the Company will refine price control objectives and streamline purchase structure. The Company will also exploit its advantages in other markets and other resources to pursue coal resources outside PRC, make joint efforts with coal suppliers to develop coal-exploration and extraction projects, and explore new avenues to acquire coal resources. Meanwhile, the Company will strive to control fuel costs by enhanced inspection of coal supplies and the variety of heat value.

The financial foreign exchange market

The Company has strong capacity, good reputation and sound financing channels both domestically and internationally.

Domestic business. Although the People's Bank of China has recently raised the Renminbi deposit reserve requirement ratio, the PRC government is expected to continue implementing liberated monetary policies during 2010. Therefore, the interest of Renminbi 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 liabilities are mostly denominated in US dollar and lesser in Euro and the conversion rate between Renminbi and US dollar is expected to stay stable.

Overseas business. SinoSing Power completed its refinancing in 2009, through which all of its outstanding loans denominated in US dollar were refinanced through loans denominated in Singapore dollar, matching the functional currency of its operation. As a result, no currency risk is expected to have material adverse impact on the overseas operations of the Company.

#### F. Employee benefits

As of December 31, 2009, the Company and its subsidiaries had 33,587 employees, of which 245 were located outside PRC. 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.

#### G. Guarantee on loans and restricted assets

As of December 31, 2009, the Company provided guarantee for long-term bank borrowings of SinoSing Power, a wholly owned subsidiary, amounting to RMB14.942 billion. As of December 31, 2009, the Company and its subsidiaries have pledged for the following borrowings:

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.

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

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

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

#### H. Off-balance sheet arrangements

As of December 31, 2009, there was no off-balance sheet arrangements which have or reasonably likely to have an effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

I. 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 April 22, 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 December 31, 2009 under IFRS. Shenzhen Energy issued new shares to Shenzhen Energy Group in acquiring most of the assets of Shenzhen Energy Group and Shenzhen Energy Group will be deregistered ultimately. 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 of December 31, 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 December 31, 2009 under IFRS. This investment is expected to provide steady returns to the Company.

#### J. Tabular disclosure of contractual obligations and commercial commitments

A summary of payments due by period of our contractual obligations and commercial commitments as of December 31, 2009 is shown in the tables below. A more complete description of these obligations and commitments is included in the Notes to Financial Statements as referenced below.

##### Contractual Cash Obligations

(RMB million)	2010	2011-2012	2013-2014	Thereafter	Total
Long-term Loans from a Shareholder(1)	-	-	800	-	800
Long-term Bank Loans(1)	10,233	21,953	8,854	37,832	78,872
Other Long-term Loans(1)	74	7,321	73	346	7,814
Long-term bonds(2)	-	1,000	5,700	7,300	14,000
Interest Payments	3,625	5,535	3,704	9,700	22,564
Operating Lease - Head Office(3)	26	-	-	-	26
Operating Lease - Nanjing Power Plant(3)	1	3	3	45	52
Operating Lease - Dezhou Power Plant(3)	30	60	60	282	432
Operating Lease - Shang'an Power Plant(3)	2	4	4	56	66
Operating Lease - Tuas Power Generation Pte Ltd. (3)	15	-	-	-	15
	14,006	35,876	19,198	55,561	124,641

##### Other Commercial Commitments

(RMB million)	2010	2011-2012	2013-2014	Thereafter	Total
Long – term gas purchase contract(4)	6,213	12,426	7,476	6,246	32,361
Other commitments(3)	35,219	86	-	-	35,305
	41,432	12,512	7,476	6,246	67,666

##### Notes:

- (1) See Note 22 to the Financial Statements, "Long-term Loans".
- (2) See Note 23 to the Financial Statements, "Long-term Bonds".
- (3) See Note 37 to the Financial Statements, "Commitments".
- (4) The numbers shown in the table above were calculated based on the minimum purchases stipulated in the long-term gas contracts disclosed in Note 37 to financial statements.

The Company and its subsidiaries have various defined contribution plans in accordance with the local conditions and practices in the provinces in which they operate. The Company and its subsidiaries pay fixed contributions into separate entities (funds) and will have no further payments obligations if the funds do not hold sufficient assets to pay

all employee benefits relating to employee service in the current and prior periods. Disclosures of the pension plans including the contribution amounts are included in Note 35 to the Financial Statements.

K. Business plan

In 2010, the primary objective of the Company is to secure safe, stable and increasing power generation, the Company will (i) continue to pursue power market expansion, strengthen market analysis and forecast, 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) strengthen the uniform management of fuel purchases and transportation, stabilize and expand the principal channels of coal supply, explore global coal market, 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 project management for those projects under construction, strive to increase the operating stability and capability of new generating units that commence commercial operation, accelerate project development, so as to lay a solid

foundation for long term development and 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) undertake investments, development and constructions of projects of wind power, hydropower, solar power and other renewable energy, in compliance with the government's energy policies and requirements for development of renewable energy.

In order to achieve the 2010 operating targets, the Company plans to (i) improve reliability of its generating units by strictly complying with the Company's safe production guidelines, (ii) increase utilization hours by enhancing sales and marketing efforts to, and closely cooperating with, the dispatch centers of local grid companies, (iii) control fuel cost by continuously analyzing the change of fuel market to strengthen coal supply planning, enhancing the distribution and emergency response management, adjusting coal inventory constantly and optimizing the coal supply structure, (iv) reduce administrative expenses and other non-operating expenses by stricter adherence to budget, (v) increase efficiency and reduce energy consumptions of the generating units by upgrading existing generating units with new energy-saving technologies, (vi) increase its production capacity by completing on schedule the projects-under-construction and commencement of commercial operations of these projects, (vii) explore development opportunities in regions with high power demand and adequate coal supply, and (viii) 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.

#### ITEM Directors, Senior Management and Employees

6

##### A. Directors, members of the supervisory committee and senior management

###### Directors

The table below sets forth certain information concerning our directors as of March 31, 2010. The current term for all of our directors is three years, which will expire in May 2011.

Name	Age	Position with us
Cao Peixi	54	Chairman of the Board of Directors
Huang Long	56	Vice Chairman of the Board of Directors
Wu Dawei	56	Director
Huang Jian	47	Director
Liu Guoyue	46	Director, President
Fan Xiaxia	47	Director, Vice President
Shan Qunying	56	Director
Xu Zujian	55	Director
Huang Mingyuan	51	Director
Liu Shuyuan	59	Director
Liu Jipeng	53	Independent Director
Yu Ning	55	Independent Director
Shao Shiwei	64	Independent Director
Zheng Jianchao	70	Independent Director
Wu Liansheng	39	Independent Director

Cao Peixi, aged 54, has served as Chairman and President of China Huaneng Group since August 27, 2008. He also serves as 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 post-graduate degree of master in engineering and is a senior engineer.

Huang Long, aged 56, has served as Vice Chairman of the Company since March 7, 2006. He also serves as Vice President of Huaneng Group and the Director of HIPDC. He served as the manager of the International Co-operation Department and Business Department of HIPDC, and Vice President and Secretary to the Board of the Company. He graduated from North Carolina State University in the U.S. with a M.S. degree in communications and auto-control. He is a senior engineer.

Wu Dawei, aged 56, has served as the Director of the Company since May 13, 2008. He also serves as the 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 previously served as Deputy General Manager of Huaneng Shanghai Shidongkou II Power Plant, Deputy General Manager of Shanghai branch of the Company, the General Manager of Huaneng Shanghai Shidongkou II 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, has served as the Director of the Company since August 27, 2008. He served as 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 and 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 post-graduate degree of master in economics. He is a senior accountant.

Liu Guoyue, aged 46, has served as the Director of the Company since May 13, 2008. He also serves as the Director of Shanghai Times Navigation Transportation Limited Company and Director of Xian 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, has served as the Director of the Company since May 13, 2008. He also serves as the President of the Company, 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. He is 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, has served as the Director of the Company since May 13, 2008. He also serves as the 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 economist.

Huang Mingyuan (Ms), aged 51, has served as the Director of the Company since May 13, 2008. She also serves as the Vice President of Fujian Investment Enterprise Group Company, the President of Xiamen Fuda Photosensitive Materials Company Limited, a Director of Xiamen International Bank, Macau Luso International Bank and Guangfa Huaifu Securities Company Limited and Industrial Securities Co., Ltd. She had been the director of the Office of Information Leading Group of Fujian Province, the 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. 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, has served as the Director of the Company since May 13, 2008. He also serves as 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 previously served as 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, has served as the Independent Director of the Company since May 13, 2008. He also serves as a 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, has served as the Independent Director of the Company since May 13, 2008. He also serves as the Independent Director of Industrial Fund Management Limited Company and Guojin Securities Limited Company and the President of All China Lawyers Association. Mr. Yu Ning served as Deputy Director and Director of CCP Central Disciplinary Inspection Commission, practicing 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 in 1996. He is a qualified lawyer.

Shao Shiwei, aged 64, has served as the Independent Director of the Company since May 13, 2008. 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, has served as the Independent Director of the Company since May 13, 2008. He also serves as the 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, has served as the Independent Director of the Company since May 13, 2008. He also serves as a Professor, Ph. D. Tutor and head of the Department of Accounting of Guanghua Management Institution 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 Guanghua Management Institute of Beijing University as the Lecturer, Associate Professor, Professor, Ph. D. Tutor and concurrently served as the Deputy Head and Head of the Accounting Department. He graduated from Zhongnan University with a doctorate degree in Management (Accounting) in July 1999.

#### Supervisors

The table below sets forth certain information concerning our supervisors as of March 31, 2010. The current term for all of our supervisors is three years, which will expire in May 2011.

Name	Age	Position with us
Guo Junming	44	Chairman of the Supervisory Committee

Yu Ying	54	Vice Chairman of the Supervisory Committee
Wu Lihua	54	Supervisor
Gu Jianguo	43	Supervisor
Wang Zhaobin	54	Supervisor
Dai Xinmin	48	Supervisor

Guo Junming, aged 44, has served as Chairman of the Board of Supervisors of the Company since January 18, 2006. He also serves as Chief Accountant of Huaneng Group and Chairman of Huaneng Capital Services Limited Company. He served as 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 Corporation Limited, President of Huaneng Capital Services Limited Company, Deputy Chief Accountant and Manager of 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 (Ms.), aged 54, has served as Vice Chairman of the Company's Supervisory Committee since May 11, 2005. She also serves as President of Dalian Municipal Investment Corporation. She served as Vice Director of Social Affairs Department of Dalian Municipal Planning Commission, Director of Fixed Assets Investment Department of Dalian Municipal Development and 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 economist.

Wu Lihua (Ms), aged 54, has served as the Supervisor of the Company since May 13, 2008. She also serves as 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, has served a Supervisor of the Company since November 17, 2005. He also serves as President of Nantong Investment & Management Limited Company. He 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, has served as a Supervisor of the Company since May 11, 2005. He also serves as Manager of the Corporate Culture Department of the Company. He served as the Chief of the Organization Affairs Bureau of the PRC Electricity Department, Chief of the Human Resources Department and the Retirement Department of Huaneng Power, Deputy Secretary of Communist Party Committee, Secretary of the Communist Party Discipline Inspection Committee, Chairman of the Labor Union of Huaneng Beijing Power Plant, Deputy Manager and Manager of the Corporate 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, has served as the Supervisor of the Company since May 13, 2008. He also serves as the Manager of the Audit and Supervisory Department of the Company. He had been the Deputy Chief of the Property Right Bureau to the State Owned Assets Management Committee, the Deputy Chief Accountant, Deputy Manager of the Finance Department of Huaneng Group, the Chief Accountant of Huaneng Comprehensive Property Rights Company and the Deputy Secretary General of the Asset Operation Department of Huaneng Group. He graduated from Shanghai Finance Institute, specializing in industrial economics and holding a bachelor's degree. He is an economic engineer.

#### Other Executive Officers

Gu Biquan, aged 52, has served as the Vice President and secretary to the Board of Directors of the Company since October, 2007. 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, has served as the Vice President of the Company since April 2008. 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 (officer in charge) of Marketing and Sales 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, has served as the Vice President of the Company since April 2008. 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, has served as the Vice President of the Company since April 2008. He was the Deputy Chief of Project 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 (officer in-charge) of Marketing and Sales Department of the Company, 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 (Ms.), aged 46, has served as Chief Accountant of the Company since October 2007. She served as 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 Company's Finance Department, and Deputy Chief Accountant, Chief Accountant and Manager of Finance Department of the Company. She graduated from Renmin University of China with a master's degree in financial accounting. Ms. Zhou is a senior accountant.

Zhao Ping, aged 47, has served as the Chief Engineer of the Company since April 2008. 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 engineer and holds a master degree in science. Mr. Zhao is a senior engineer.

Du Daming, aged 43, has served as 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 Secretariat of the Administration Department and Deputy Director (officer in-charge) 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 deputy chief engineer and deputy General Manager of Jinzhou Power Plant, General Manager of Shenhai Thermal Power Plant, deputy chief of 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 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.

B. Compensation for Directors, Supervisors and Executive Officers

The table below sets forth the compensation on individual basis for the directors, supervisors and other executive officers for the year ended December 31, 2009:

61

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Name	Position with the Company	Remuneration Paid by the Company in 2009 (1) (RMB in thousand)
<b>Directors</b>		
Mr. Cao Peixi	Chairman of the Board of Directors	-
Mr. Huang Long	Vice Chairman of the Board of Directors	-
Mr. Wu Dawei	Director	131
Mr. Huang Jian	Director	-
Mr. Liu Guoyue	Director and President	804
Mr. Fan Xiaxia	Director and Vice President	804
Mr. Shan Qunying	Director	48
Mr. Xu Zujian	Director	48
Ms. Huang Mingyuan	Director	48
Mr. Liu Shuyuan	Director	48
Mr. Liu Jipeng	Independent Director	74
Mr. Yu Ning	Independent Director	74
Mr. Shao Shiwei	Independent Director	74
Mr. Zheng Jianchao	Independent Director	74
Mr. Wu Liansheng	Independent Director	74
Sub-total:		2,301
<b>Supervisors</b>		
Mr. Guo Junming	Chairman of the Supervisory Committee	-
Ms. Yu Ying	Vice Chairman of the Supervisory Committee	48
Ms. Wu Lihua	Supervisor	-
Mr. Gu Jianguo	Supervisor	48
Mr. Wang Zhaobin	Supervisor	570
Mr. Dai Xinmin	Supervisor	568
Sub-total		1,234
<b>Other Executive officers</b>		
Mr. Gu Biquan		712

	Vice President and Secretary to the Board	
Mr. Lin Weijie	Vice President	694
Mr. Ye Xiangdong	Vice President	694
Mr. Lin Gang	Vice President	693
Ms. Zhou Hui	Chief Accountant	711
Mr. Zhao Ping	Chief Engineer	693
Mr. Du Daming	Vice President (appointed in December 2009)	567
Mr. Gao Shulin	Chief Economist (appointed in December 2009)	567
Sub-total:		5,331
Total		8,866

## Notes:

- (1) The remuneration paid by the Company in 2009 includes the basic salaries, performance salaries and pension, please see Note 36 to the Item 17 Financial Statements, “Directors’, supervisors’ and senior management’ emoluments”.

The total remuneration paid to our directors, supervisors and executive officers is comprised of basic salaries, performance salaries and pension. Of these, performance salaries account for approximately 60% of the total remuneration, which are determined on the basis of their performance. In addition, directors and supervisors who are also officers or employees of us receive certain other benefits, such as subsidized or free health care services, housing and transportation, which are customarily provided by large enterprises in the PRC to their employees. Each of the Company’s independent directors receives annual after-tax cash compensation of RMB60,000. We do not have any service contract with any director that provides for benefits upon termination of employment.

## C. Board practice

As of the end of 2003, we, in accordance with the resolutions passed at a shareholders’ general meeting, have set up four special committees, namely, the Audit Committee, the Strategy Committee, the Nomination

Committee, and the Remuneration and Appraisal Committee, and formulated the working regulations for such committees in accordance with the relevant rules and regulations. All committees operate in accordance with the working rules and utilize their members' specific background, experience and industry expertise to provide advice to us, so as to enhance our operation efficiency and to make the decision-making process more rationalized.

The main duties of the Audit Committee are to assist our board in performing its statutory and fiduciary duties of supervising our accounting, financial reports, internal controls and compliance, including but not limited to, assisting our board in supervising (i) the integrity of our financial statements; (ii) our compliance with the applicable laws and regulations; (iii) the qualification and independence of our independent auditors and (iv) the performances of our independent auditors and internal auditing department.

The main duties of the Strategy Committee are to advise on, and conduct research in relation to, its long-term development strategies and decisions regarding significant investments.

The main duties of the Nomination Committee are to conduct study and provide advice in relation to the requirements for selection of directors and managers and the relevant procedures; to search for the qualified candidates of directors and managers, and to examine the candidates of directors and managers and advise matters in relation thereto.

The main duties of the Remuneration and Appraisal Committee are to conduct research on the appraisal guidelines for directors and managers, to carry out performance appraisals and provide advice accordingly, and to conduct research on the remuneration policy and proposal regarding the directors and senior management.

The members of Audit Committee are Mr. Wu Liansheng (Chairman), Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei and Mr. Zheng Jianchao.

The members of Strategy Committee are Mr. Huang Long (Chairman), Mr. Wu Dawei, Mr. Huang Jian, Mr. Liu Guoyue, Mr. Fan Xiaxia, Mr. Shao Shiwei and Mr. Zheng Jianchao.

The members of Nomination Committee are Mr. Shao Shiwei (Chairman), Mr. Fan Xiaxia, Mr. Shan Qunying, Ms. Huang Mingyuan, Mr. Liu Jipeng, Mr. Yu Ning and Mr. Wu Liansheng.

The members of Remuneration and Evaluation Committee are Mr. Liu Jipeng (Chairman), Mr. Liu Guoyue, Mr. Xu Zujian, Mr. Liu Shuyuan, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng.

#### D. Employees

As of December 31, 2009, we employed 33,587 people. Of these, 298 are headquarters management staff, 26,921 are power plant personnel directly involved in the management and operation of the power plants and the remainder are maintenance personnel, ancillary service workers and others. Over 59% our work force graduated from university or technical college. As of December 31, 2007 and 2008, we had approximately 22,899 and 28,130 employees respectively.

We conduct continuing education programs for our employees at the head office and at each power plant. We provide training in foreign language, computer, accounting and other areas to our professionals and technicians in their relevant fields. Employees are trained in accordance with the different requirements for professional and managerial positions.

We have reformed the labor system by introducing individual labor contracts. Currently, all employees are employed under employment contracts, which specify the employee's position, responsibilities, remuneration and grounds for

termination. Short-term employment contracts have fixed terms of typically one to five years, at the end of which they may be renewed with the agreement of both the Company and the employees.

The contract system imposes discipline, provides incentives to adopt better work methods and provides us with a greater degree of management control over our work force. We believe that, by linking remuneration to productivity, the contract system has also improved employee morale.

Each of our power plants also has a trade union and the employees of our headquarters are also members of a trade union. These trade unions protect employee's rights, aim to fulfill our economic objectives, encourage employees to participate in management decisions and mediate disputes between us and union

members. We have not been subject to any strikes or other labor disturbances interfering with our operations, and we believe that our relations with our employees are good.

Total remuneration of our employees includes salaries, bonuses and allowances. The employees also receive certain benefits in the form of education and health services subsidized by the Company and other miscellaneous subsidies.

In compliance with the relevant regulations, we and our employees participate in the local government pension plan under which all the employees are entitled to the pensions payments upon retirement. See Note 35 to the Financial Statements.

The Company also participates in the social insurance program administered by the social security institution, under which all the employees are entitled to certain social insurance benefits, subject to adjustments in accordance with relevant PRC regulations. The Company is in compliance with all social insurance regulations and has no outstanding overdue for any social insurance contribution.

#### E. Share ownership

None of our directors, supervisors or senior management owns any of our shares.

### ITEM Major Shareholders and Related Party Transactions

7

#### A. Major shareholders

Our outstanding ordinary shares consist of A Shares and H Shares, each with a par value of RMB1.00 per share. The following table set forth certain information regarding our major shareholders as of April 15, 2010.

Shareholder	Number of shares	Approximate percentage in the total issued domestic share capital %	Approximate percentage in the total issued share capital %
Huaneng International Power Development Corporation	5,066,662,118	56.30	42.03
China Huaneng Group(1)	1,075,124,549	11.72	8.92
Hebei Provincial Construction Investment Company	603,000,000	6.70	5.00

Note: (1) Of the 1,075,124,549 shares, 1,055,124,549 shares are directly held by Huaneng Group, 20,000,000 shares are held by Huaneng Group through its wholly-owned subsidiary, China Hua Neng Hong Kong Company Limited. In addition, Huaneng Group indirectly holds 22% of our total issued shares through HIPDC, its 51.98% owned subsidiary.

As of April 1, 2004, HIPDC and Hebei Provincial Construction Investment Company ("HPCIC") directly holds 42.39% and 7.50% of our total issued shares, respectively. Huaneng Group indirectly holds 22% of our total issued shares through HIPDC, its 51.98% owned subsidiary.

In 2004, Shantou Electric Power Development Company transferred a total of 58 million shares to HIPDC, and the shareholdings of HIPDC increased to 43.12%. In 2005, HIPDC transferred a total of 40 million shares to Liaoning Energy Investment (Group) Limited Liability Company, and therefore decreased its shareholdings in us to 42.78%.

In 2006, all of our shareholders of non-tradable domestic shares except HIPDC transferred a total of approximately 1.1 billion shares to Huaneng Group, representing 9.24% of our total issued shares. Among others, HPCIC transferred approximately 301 million shares to Huaneng Group, and decreased its shareholdings in us to 5.00%.

On April 19, 2006, we carried out our reform plan to convert all non-tradable domestic shares into tradable domestic shares. According to the plan, Huaneng Group and HIPDC transferred a total of 150 million shares to our shareholders of A Shares. As a result, the direct shareholdings of Huaneng Group and HIPDC decreased to 8.75% and 42.03%, respectively.

In June and July of 2008, through its wholly-owned subsidiary, China Hua Neng Hong Kong Company Limited, Huaneng Group acquired 20 million H shares from open market. As a result, the shareholding of Huaneng Group increased to 8.92%.

As resolved at the extraordinary general meeting and the H Share class meeting held on March 16, 2010, respectively, we would issue (i) no more than 1,200 million new A Shares by way of placement to no more than 10 designated investors including Huaneng Group, which would subscribe for no more than 400 million new A Shares, and (ii) no more than 400 million new H Shares to China Hua Neng Hong Kong Company Limited ("Hua Neng HK"), a wholly-owned subsidiary of Huaneng Group. The subscription price for new A Shares shall be no less than RMB7.13 per share and will be determined on the book-building basis after obtaining the approvals for the new issue. The subscription price for new H Shares shall be HK\$4.97 per share. The proposed issue of new A Shares and H Shares has been approved by the State Assets Supervision and Administration Commission of the State Council, and is subject to approvals by relevant governmental authorities in accordance with applicable PRC laws and regulations.

Before we were established in 1994, HIPDC and other seven promoters entered into the Shareholders' Agreement dated May 31, 1994 (the "Shareholders' Agreement") which, among other things, grants to HIPDC the right to vote all the shares owned by each of the other promoters so as to enable HIPDC to have majority voting rights in general meetings for so long as we are in existence. In addition, directors designated by HIPDC will have majority representation on our board of directors and each of the other promoters will have one representative designated by it appointed as a member of our board of directors. The Shareholders' Agreement also provides that for so long as we are in existence (i) HIPDC and the other signatories to the Shareholders' Agreement will maintain their combined shareholdings to ensure their collective majority control of us, (ii) HIPDC has certain priority rights to purchase the shares held by the other signatories to the Shareholders' Agreement and (iii) if HIPDC does not exercise its priority rights to purchase such shares, each of the signatories to the Shareholders' Agreement other than HIPDC has a priority right to purchase such shares on a pro rata basis and (iv) no shares may be sold or transferred unless their transferees agree to abide by the terms of the Shareholders' Agreement. As a result of the Shareholders' Agreement, HIPDC held 70.09% of the total voting rights of the outstanding shares and, subject to the Shareholders' Agreement, had the power to control the election of all of our directors and to direct our management and policies.

On May 12, 2006, HIPDC and other promoters (including the shareholders who assumed the rights and obligations of original promoters as a result of share transfer) entered into an amendment to the Shareholders' Agreement, pursuant to which, each promoter shall be entitled to exercise its own voting rights at the shareholders' general meeting. Consequently, HIPDC currently holds 42.03% of our total voting rights. Since HIPDC's parent company, Huaneng Group, currently holds, directly or through its wholly owned subsidiary, 8.92% of our total voting rights. HIPDC is able to exert control over us when acting in concert with Huaneng Group.

## B. Related party transactions

### Guarantees

The table below sets forth information on guarantees provided by Huaneng Group, HIPDC and the Company to the related parties in 2009 for the purposes of financing their operation, construction and renovation.

Guarantor	Guarantee	Interest Rate (%)	Largest Amount Outstanding in 2009 (RMB)	Amount Outstanding As of March 31, 2010 (RMB)
Huaneng Group	The Company	6.36	230,635,655	185,895,652

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(Ultimate Parent of the Company)		LIBOR +		
	The Company	0.075	281,090,368	215,960,777
	Luohuang Power Company(1)	5.95	494,543,109	246,971,265
	Qinbei Power Company(2)	LIBOR+0.43	48,818,570	29,255,570
	Qinbei Power Company(2)	LIBOR+0.3	45,029,762	26,221,786
	Yangliuqing Power Company(3)	2.15	561,074,102	497,219,333
HIPDC	The Company	5.95	317,920,975	158,767,452
	The Company	6.60	260,395,156	185,770,641



	The Company	6.60	108,598,708	81,350,119
	The Company	6.54	409,285,125	233,593,181
	The Company	5.95	367,310,836	244,576,513
	The Company	5.20	4,000,000,000	4,000,000,000
	The Company	5.00	2,000,000,000	2,000,000,000
The Company	SinoSing Power Company(4)	SIBOR+1.65	13,030,822,028	13,026,548,803
	SinoSing Power Company(4)	SIBOR+1.65	1,910,937,830	1,910,311,173
	SinoSing Power Company(4)	LIBOR+1.25	342,025,880	-
	SinoSing Power Company(4)	LIBOR+1.25	3,009,827,744	-
	SinoSing Power Company(4)	SIBOR+1.25	692,727,450	-
	Rizhao Power Company(5)	5.94	8,500,000	-
	Rizhao Power Company(5)	7.83	8,500,000	-
	Rizhao Power Company(5)	7.83	8,500,000	-
	Rizhao Power Company(5)	5.94	18,062,500	-

## Notes:

- (1) Luohuang Power Company is a subsidiary of the Company.
- (2) Qinbei Power Company is a subsidiary of the Company.
- (3) Yangliuqing Power Company is a subsidiary of the Company.
- (4) SinoSing Power Company is a subsidiary of the Company.
- (5) Rizhao Power Company is an associate of the Company.

## Loans

The table below sets forth the loans made by Huaneng Group, Huaneng Finance, Huaneng New Energy and the Company to the related parties in 2009 for the purposes of financing their operation, construction and renovation.

## Loans

Lender	Borrower	Interest Rate (%)	Largest Amount Outstanding in 2009 (RMB)	Outstanding Balance as of March 31, 2010 (RMB)
Huaneng Group (Ultimate Parent of the Company)	The Company	5.02	2,000,000,000	-
	Yushe Power Company(1)	4.60	225,000,000	225,000,000
	Yushe Power Company(1)	4.05	75,000,000	75,000,000
	Qinbei Power Company(2)	4.60	375,000,000	375,000,000
	Qinbei Power Company(2)	4.32	125,000,000	125,000,000
Huaneng Finance		4.86	130,000,000	130,000,000

	Yushe Power Company(1)			
(Subsidiary of Huaneng Group)	Yushe Power Company(1)	4.78	30,000,000	-
	Yushe Power Company(1)	4.78	100,000,000	-
	Yangliuqing Power Company(3)	4.86	100,000,000	100,000,000
	Weihai Power Company(4)	4.78	100,000,000	100,000,000
	Weihai Power Company(4)	6.72	50,000,000	-
	Weihai Power Company(4)	4.78	100,000,000	-

	Weihai Power Company(4)	4.78	100,000,000	-
	Huaiyin II Power Company(10)	4.78	200,000,000	-
	Taicang II Power Company(13)	4.78	90,000,000	-
	Taicang II Power Company(13)	4.78	200,000,000	-
	Yueyang Power Company(12)	4.78	130,000,000	-
	Pingliang Power Company(8)	5.99	150,000,000	-
	Pingliang Power Company(8)	5.02	140,000,000	-
Huaneng New Energy (Subsidiary of Huaneng Group)	Qidong Wind Power(5)	5.35	343,000,000	-
The Company	Shanghai Power Company(6)	5.31	500,000,000	500,000,000
	Shanghai Power Company(6)	5.31	1,000,000,000	1,000,000,000
	Shanghai Power Company(6)	5.31	520,000,000	750,000,000
	Shanghai Power Company(6)	5.58	1,700,000,000	1,700,000,000
	Daditaihong(7)	5.31	110,000,000	110,000,000
	Daditaihong(7)	5.31	60,000,000	60,000,000
	Daditaihong(7)	4.78	50,000,000	85,000,000
	Daditaihong(7)	5.58	40,000,000	-
	Daditaihong(7)	4.78	140,000,000	140,000,000
	Yushe Power Company(1)	4.51	280,000,000	280,000,000
	Yushe Power Company(1)	4.05	135,000,000	135,000,000
	Pingliang Power Company(8)	4.78	400,000,000	400,000,000
	Pingliang Power Company(8)	4.05	1,060,000,000	1,060,000,000
	Weihai Power Company(4)	4.51	600,000,000	600,000,000
	Weihai Power Company(4)	4.51	200,000,000	-
	Weihai Power Company(4)	4.51	200,000,000	-
	Weihai Power Company(4)	4.78	-	400,000,000
	Weihai Power Company(4)	4.05	400,000,000	400,000,000
	Jinling Power Company(9)	4.51	400,000,000	400,000,000
	Huaiyin II Power Company(10)	4.32	2,000,000,000	2,000,000,000
	Huaiyin II Power Company(10)	4.25	320,000,000	320,000,000
	Luohuang Power Company(11)	4.32	1,300,000,000	1,300,000,000
	Yueyang Power Company(12)	4.16	1,100,000,000	1,100,000,000
	Qinbei Power Company(2)	4.16	600,000,000	600,000,000
	Qinbei Power Company(2)	4.78	50,000,000	50,000,000
	Taicang II Power Company(13)	4.09	500,000,000	500,000,000
	Taicang II Power Company(13)	4.51	500,000,000	-
	Taicang II Power Company(13)	4.05	900,000,000	900,000,000
	Taicang II Power Company(13)	4.05	400,000,000	400,000,000
	Xindian Power Company(14)	4.05	1,000,000,000	1,000,000,000
	Xindian Power Company(14)	4.78	40,000,000	70,000,000
	Yangliuqing Power Company(3)	3.79	850,000,000	850,000,000
	Yangliuqing Power Company(3)	4.05	100,000,000	100,000,000
	Beijing Power Company(15)	3.79	400,000,000	400,000,000
	Yingkou Power Company(16)	3.72	700,000,000	700,000,000
	Yingkou Power Company(16)	5.20	700,000,000	700,000,000

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Notes:

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