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

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the month of April, 2010

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

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

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

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

This Form 6-K consists of:

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

Contents

Company Profile

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

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

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

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

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

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

Power Plant on Distribution of Huaneng Power

Excel with Clear Strategy

Major Corporate Events in 2009

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

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

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

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

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

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

November

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

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

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

December

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

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

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

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

Inner Mongolia Huade Wind Power passed the trial operation.

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

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

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

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

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

Financial Highlights

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

STATEMENT OF COMPREHENSIVE INCOME (NOTE 1)

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

BALANCE SHEET (NOTE 2)

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

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

Notes:

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

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

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

Power generation For the years ended 31 December

Generation capacity on an equity basis As at 31 December

Save Energy and Go Green for a Better Society

Letter to Shareholders

Outperform with Concerted Efforts
To: All Shareholders,

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

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

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

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

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

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

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

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

CAO Peixi
Chairman

Beijing, PRC
23 March 2010

Never Rest on Laurels

Management's Discussion and Analysis

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

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

GENERAL

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

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

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

A. OPERATING RESULTS

1. 2009 operating results

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

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

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

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

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

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

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

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

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

2. Comparative Analysis of Operating results

2.1 Operating revenue and sale tax

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

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

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

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

2.2 Operating expenses

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

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

2.2.1 Fuel

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

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

2.2.2 Maintenance

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

2.2.3 Depreciation

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

2.2.4 Labor

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

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

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

2.3 Financial expenses

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

2.3.1 Interest expense

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

2.3.2 Net exchange differences and bank charges

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

2.4 Share of profits of associates

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

2.5 Enterprise Income Tax ("EIT")

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

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

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

2.7 Comparison of financial positions

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

2.7.1 Comparison of asset items

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

2.7.2 Comparison of liabilities items

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

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

2.7.3 Comparison of equity items

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

2.7.4 Major financial position ratios

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

Formula of the financial ratios:

$$\text{Current ratio} = \frac{\text{balance of current assets as at year end}}{\text{balance of current liabilities as at year end}}$$

$$\text{Quick ratio} = \frac{\text{(balance of current assets as at year end - net inventories as at year end)}}{\text{balance of current liabilities as at year end}}$$

$$\text{Ratio of liabilities and shareholders' equity} = \frac{\text{balance of liabilities as at year end}}{\text{balance of shareholders' equity as at year end (excluding minority interests)}}$$

$$\text{Multiples of interest earned} = \frac{\text{(profit before tax + interest expense)}}{\text{interest expenditure (including capitalized interest)}}$$

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

B. LIQUIDITY AND CASH RESOURCES

1. Liquidity

For the year ended 31 December

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

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

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

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

2. Capital expenditures and cash resources

2.1 Capital expenditures on acquisitions

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

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

2.2 Capital expenditures on construction and renovation projects

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

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

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

(unit: RMB billion)

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

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

2.3 Cash resources and anticipated finance costs

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

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

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

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

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

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

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

2.4 Other financing requirements

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

2.5 Maturity profile of loans

(Unit: RMB billions)

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

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

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

C. TREND ANALYSIS

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

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

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

1. Development trend of power market

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

2. The trend of fuel supply

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

3. The financial and foreign exchange market

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

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

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

D. PERFORMANCE OF SIGNIFICANT INVESTMENTS AND THEIR PROSPECTS

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

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

E. EMPLOYEE BENEFITS

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

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

F. GUARANTEE ON LOANS AND RESTRICTED ASSETS

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

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

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

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

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

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

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

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

H. RISK FACTORS

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

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

1. Risks relating to power market

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

2. Risks relating to coal supply market

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

3. Risks relating to environmental protection requirements

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

4. Financial risks

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

I. BUSINESS PLAN

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

Corporate
Governance Report

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

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

(a) CODE OF CORPORATE GOVERNANCE PRACTICES

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

(1) Enhancing and improving corporate governance

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

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

(2) Enhancing and improving the information disclosure system

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

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

(3) Regulating financial management system, strengthening internal control

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

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

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

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

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

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

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

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

(b) SECURITIES TRANSACTIONS BY DIRECTORS

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

(c) BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) to examine and approve other major issues.

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

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

(d) CHAIRMAN AND PRESIDENT

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

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

(e) NON-EXECUTIVE DIRECTORS

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

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

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

(f) DIRECTORS' REMUNERATION

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

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

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

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

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

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

(g) NOMINATION OF DIRECTORS

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

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

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

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

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

(h) REMUNERATION OF AUDITORS

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

(i) AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

(k) SENIOR MANAGEMENT'S INTEREST IN SHARES

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

(l) STRATEGY COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

Social Responsibility Report

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

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

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

I. CORPORATE OVERVIEW AND CORPORATE GOVERNANCE

1. Corporate Overview

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

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

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

2. Corporate Governance

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

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

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

II. SAFETY PERFORMANCE OF THE COMPANY

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

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

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

III. ECONOMIC PERFORMANCE OF THE COMPANY

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

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

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

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

IV. ENVIRONMENTAL PERFORMANCE OF THE COMPANY

1. Energy saving and environmental protection objectives

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

2. Energy saving and environmental protection measures

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

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

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

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

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

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

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

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

3. Energy saving and environmental protection performance

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

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

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

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

V. SOCIAL PERFORMANCE OF THE COMPANY

1. Protection of staff benefits

(1) Staff Overview

With the belief that human resources are the forefront important assets, the Company actively implements the strategy of developing the enterprise by talents, focuses on the tri-tasks of attracting, nurturing and making good use of talents, accelerates the establishment of a team