NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Prepared in accordance with International Accounting Standards)

1. Company Organization and Principal Activities

Huaneng Power International, Inc. (the "Company") was incorporated in the People's Republic of China (the "PRC") as a Sino-foreign joint stock limited company on 30th June, 1994. Currently, the Company and its subsidiary own and operate twelve power plants, which are located in various provinces of the PRC.

The Company and its subsidiary are principally engaged in the generation and sale of electric power to the respective regional or provincial power companies.

2. Principal Accounting Policies

The accompanying condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Committee and Appendix 16 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted for the preparation of the condensed financial statements as at and for the six months ended 30th June, 2002 are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31st December, 2001.

3. List of Subsidiary

(i) Details of the subsidiary of the Company as at 30th June, 2002 were as follow:

Name of subsidiary	Country and date of incorporation	Company's equity interest	Registered capital	Principal activities
Weihai Power Plant	PRC 22nd November, 1993	60%	Rmb761,832,800	Power generation

(ii) After obtaining all necessary approval from relevant authorities on 18th June, 2002, the Company acquired 25% equity interest from the minority shareholder of Jining Power Plant for a consideration of approximately Rmb109 million in cash.

4. Accounts Receivable

The Company and its subsidiary usually grant one-month credit period to all the local power companies from the end of the month in which the sales are made. As at 30th June, 2002, all accounts receivable were aged within one year.

5. Appropriations and Distribution of Profit

For the six months ended 30th June, 2002, 10% and 7.5% of the after-tax profits, as reflected in the Company's statutory financial statements prepared under PRC GAAP, have been appropriated to the statutory surplus reserve fund and the statutory public welfare fund, respectively. The appropriation for the statutory surplus reserve fund and the statutory public welfare fund are reflected in the balance sheet under shareholders' equity as dedicated capital.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Cont'd)*

(Prepared in accordance with International Accounting Standards)

6. Payables and Accrued Liabilities

Payables and accrued liabilities comprised:

	30th June, 2002	31st December, 2001
	Rmb'000	*Rmb'000*
Accounts payable	430,605	387,814
Other payables and accrued liabilities	2,287,164	2,269,409
	2,717,769	2,657,223

As at 30th June, 2002, the aging analysis of accounts payable is as follows:

	30th June, 2002	31st December, 2001
	Rmb'000	*Rmb'000*
Within one year	425,895	373,270
Between one to two years	—	9,494
Over two years	4,710	5,050
	430,605	387,814

7. Convertible Notes

In May, 1997, the Company issued at par value convertible notes with an aggregate principal amount of US$230 million at 1.75% due 2004. The notes mature on 21st May, 2004, unless previously redeemed or converted.

(i) On 21st May, 2002, the noteholders, by exercising their put option rights, redeemed a substantial portion of the convertible notes with an aggregate principal amount of US$209,685,000,at 128.575% of the principal amount together with accrued interest. Upon the redemption, the equity component attributable to the redeemed portion of the convertible notes amounting to approximately Rmb465 million was transferred to additional paid-in capital as at 21st May, 2002. The net shortfall of approximately Rmb42 million between (a) the sum of the relevant principal amount plus accrued interest and the 28.575% put premium settled upon redemption and (b) the sum of the amortized cost of the liability component attributable to the redeemed portion of the convertible notes and the total carrying amount of the put option value as at 21st May, 2002, was charged to the income statement as interest expense.

(ii) No noteholder had converted the convertible notes to American Depositary Share ("ADS") during the six months ended 30th June, 2002.

8. Additional Financial Information on Balance Sheet

As at 30th June, 2002, the net current assets of the Company and its subsidiary amounted to approximately Rmb1,516 million. On the same date, the total assets less current liabilities of the Company and its subsidiary were approximately Rmb37,346 million.

9. Sales of Electric Power

Operating revenue represents amounts billed for electricity generated and transmitted to the ultimate consumers through the respective regional or provincial power companies (net of Value Added Tax ("VAT") and deferred revenue). Revenues are recognized upon transmission of electricity to the power grid controlled and owned by the respective power companies. Deferred revenue represents the excess of the major repair and maintenance expenses determined on the basis of 1% of the fixed assets cost recoverable through the tariff setting process over the major repair and maintenance expenses actually incurred.

10. Profit Before Taxation

Profit before taxation in the condensed consolidated income statement was determined after charging and (crediting) the following items:

	For the six months ended 30th June,	
	2002	2001
	Rmb'000	*Rmb'000*
Total interest charges on borrowings	371,121	536,191
Less: Capitalized in property, plant and equipment	(104,437)	(34,789)
Total interest expense	266,684	501,402
Interest income	(73,021)	(52,761)
Interest expense, net	193,663	448,641
Depreciation of property, plant and equipment	1,579,206	1,656,818
Amortization of negative goodwill	(123,639)	(123,639)
Amortization of other long-term assets	7,736	8,020
(Gain)/ Loss of interest rate swaps	(3,563)	8,504

11. Taxation

Certain of the power plants, being located in specially designated regions or cities, are subject to preferential income tax rates. In addition, all power plants (except for Dezhou power plant, all expansion projects other than Shangan power plant Phase II, Jining Power Plant and Weihai Power Plant) are exempted from the PRC income tax for two years starting from the first profit-making year (after covering any accumulated deficits) followed by a 50% exemption of the applicable tax rate for the next three years ("tax holiday"). For the six months ended 30th June, 2002, the weighted average effective tax rate applicable to the Company is 17% (for the six months ended 30th June, 2001 the weighted average effective tax rate was 17%).

As at 30th June, 2002, the Company and its subsidiary had not received any notification from the relevant tax authority in respect of any material change of the present tax rates applicable to the Company and its subsidiary.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Cont'd)*

(Prepared in accordance with International Accounting Standards)

12. Dividends Declared

On 15th May, 2002, the shareholders approved the declaration of dividends of Rmb0.30 per share, totaling Rmb1,800 million in respect of the year ended 31st December, 2001 in their annual general meeting. As at 30th June, 2002, dividends of approximately Rmb1,786 million have been paid.

13. Earnings Per Share

The calculation of earnings per share is based on the net profit attributable to shareholders of approximately Rmb1,777 million (for the six months ended 30th June, 2001: Rmb1,558 million) and the weighted average number of 6,000 million (for the six months ended 30th June, 2001: 5,650 million) ordinary shares in issue during the period.

The calculation of fully diluted earnings per share is based on the adjusted net profit attributable to shareholders of Rmb1,813 million (for the six months ended 30th June, 2001: Rmb1,623 million) and the adjusted weighted average number of 6,251 million (for the six months ended 30th June, 2001: 5,965 million) ordinary shares in issue during the period. The calculation assumes that the 1.75% convertible notes had been fully converted during the period.

14. Hedging of Interest Rate Risk

The Company's floating rate bank loans expose the Company to interest rate risk. The Company uses derivative instruments, to the extent available in the PRC, to manage exposures arising from changes in interest rates. When considered appropriate, the Company would enter into interest rate swap agreements with local banks to convert certain floating rate bank loans into fixed rate debts of the same principal amounts and for the same maturities to hedge against interest rate risk. As at 30th June, 2002, the notional amount of the outstanding interest rate swap agreements was approximately US$67 million (as at 30th June, 2001, approximately US$93 million). As at 30th June, 2002, there was a gain amounted to approximately Rmb3.6 million (as at 30th June, 2001, a loss of approximately Rmb8.5 million) arising from changes in the fair value of the interest rate swaps. Since the hedging relationship does not meet all of the conditions required for special hedge accounting as set out in IAS 39, such gain was credited to income statement in current period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Cont'd)*

(Prepared in accordance with International Accounting Standards)

15. Supplementary Information to Condensed Consolidated Statement of Cash Flow

Cash flow (used in)/provided by investing and financing activities included the followings:

	For the six months ended 30th June,	
	2002	2001
	Rmb'000	*Rmb'000*
Investing activities:		
Capital expenditures on power plant		
Construction and improvement	(805,309)	(1,185,542)
Proceeds from disposal of fixed assets	6,772	5,814
Consideration paid to acquire 25% equity interest of Jining Plant	(109,439)	—
Decrease in temporary cash investment	5,164,704	306,089
Financing activities:		
Drawdown of:		
- Short-term bank loans	120,000	1,140,000
- Long-term bank loans	138,359	825,818
Repayment of:		
- Short-term bank loans	(60,000)	(2,400,000)
- Long-term loans	(1,991,362)	(1,026,515)
- Bond payable	—	(252,282)
Redemption of convertible notes	(2,234,789)	—
Payment of dividends	(1,786,050)	(1,243,000)

16. Related Party Transactions

The related parties of the Company and its subsidiary are as follows:

Name of related parties	Nature of relationship
Huaneng International Power Development Corporation ("HIPDC")	Parent company
China Huaneng Group Corporation ("Huaneng Group")	Ultimate parent company
China Huaneng Finance Company ("Huaneng Finance")	A subsidiary of Huaneng Group
China Huaneng International Trade Economics Corporation ("CHITEC")	A subsidiary of Huaneng Group
Shandong Electric Power Group Corporation ("SEPCO")	Former minority shareholder of Jining Power Plant
Weihai International Trust and Investment Corporation ("WITIC")	Minority shareholder of Weihai Power Plant

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Cont'd)*

(Prepared in accordance with International Accounting Standards)

16. Related Party Transactions *(Cont'd)*

(a) The significant transactions and balances with HIPDC were as follows:

(i) Transactions during the six months period ended 30th June, 2002:

	For the six months ended 30th June, 2002	2001
	Rmb'000	*Rmb'000*
Service fees on transmission and transformer facilities	143,703	153,665
Rental charge on the land use right of Shanghai Power Plant	3,000	3,000
Rental charge on the land use right of Nanjing Power Plant	667	667
Rental charge on office space	12,500	12,500

(ii) Balances as at 30th June, 2002:

	As at 30th June, 2002	As at 31st December, 2001
	Rmb'000	*Rmb'000*
Long-term loans guaranteed by HIPDC	6,114,007	8,868,270
Bank loans on-lent from HIPDC to the Company	778,120	793,282
Due to HIPDC (unsecured and non-interest bearing)	18,923	36,584

(b) The significant transactions and balances with other related parties were as follows:

(i) Transactions during the six months period ended 30th June, 2002:

	For the six months ended 30th June, 2002	2001
	Rmb'000	*Rmb'000*
SEPCO		
Sales of electricity power to SEPCO	1,720,287	1,718,799
CHITEC		
Agency fee paid to CHITEC for equipment transportation and insurance service received	2,715	11,820

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Cont'd)*

(Prepared in accordance with International Accounting Standards)

16. Related Party Transactions *(Cont'd)*

(b) The significant transactions and balances with other related parties were as follows: *(Cont'd)*

(ii) Balances as at 30th June, 2002:

	As at 30th June, 2002 *Rmb'000*	As at 31st December, 2001 *Rmb'000*
Huaneng Group		
Long-term loans guaranteed by Huaneng Group	1,104,557	1,666,204
Huaneng Finance (the interest rates have no material difference with the prevailing market interest rate)		
Current deposits in Huaneng Finance	2,399,270	64,000
Fixed deposits in Huaneng Finance	782,510	3,689,384
Short-term loan borrowed from Huaneng Finance	100,000	40,000
Interest receivable from Huaneng Finance	5,579	3,523
WITIC		
Loans from WITIC (Interest rate: 6.21% per annum; repayable from 1994 to 2004)	108,787	215,704
Long-term bank loans guaranteed by WITIC	300,000	300,000
Dividend payable of Weihai Plant	50,406	—

17. Commitment

Commitments mainly relate to the construction of Dezhou Phase III, supplementary facilities and renovation projects for existing power plants. Commitments outstanding as at 30th June, 2002 not provided for in the balance sheet were as follows:

	As at 30th June, 2002 *Rmb'000*
Authorized and contracted for	2,011,646
Authorized but not contracted for	—
	2,011,646

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Cont'd)*

(Prepared in accordance with International Accounting Standards)

18. Subsequent Event

On 9th May, 2002, the Company entered into an agreement with Huaneng Group under which the Company agreed to acquire from Huaneng Group 70% equity interest in Shanghai Shidongkou Power Limited Company, 70% equity interest in Suzhou Industrial Park Huaneng Power Limited Liability Company, 44.16% equity interest in Jiangsu Huaneng Huaiyin Power Limited Company and all of the assets and liabilities of China Huaneng Group Company Zhejiang Changxing Power Plant (the "Acquisition"). The total consideration for the Acquisition was Rmb2,050 million payable in cash using internal surplus cash resources.

The power plants under the Acquisition comprise coal-fired power generation facilities in Jiangsu province or Zhejiang province. The power generated by the power plants are sold to the respective provincial power companies. The proportionate share of the total installation capacity of these power plants based on the equity interests held is 1,686.6 MW in total.

The Acquisition became effective on 1st July, 2002 as the Company obtained the ownership and control over the relevant assets, after obtaining all the necessary government approvals on the Acquisition and the payment of the purchase consideration on that date.

19. Prior Year Comparatives

Certain 2001 comparative figures have been reclassified to conform to the current period's presentation.