2007 INTERIM REPORT

POWERING TOMORROW

華能國際電力股份有限公司
HUANENG POWER INTERNATIONAL, INC.
(Stock Code: 902)

CONTENTS

2007 Interim Report

INTERIM RESULTS

The Board of Directors (the "Board") of Huaneng Power International, Inc. (the "Company") announces the unaudited operating results for the six months ended 30 June 2007 and a comparison with the operating results for the same period of 2006. For the six months ended 30 June 2007, the Company and its subsidiaries recorded consolidated operating revenue of RMB23.144 billion and profit attributable to the equity holders of the Company of RMB2.875 billion, representing increases of 16.68% and 32.70%, respectively, as compared to the same period last year. Earnings per share was RMB0.24 and net asset value per share (excluding minority interests) was RMB3.59.

The Board is satisfied with the performance as mentioned above. Please refer to the unaudited financial information below for details of the operating results.

BUSINESS REVIEW FOR THE FIRST HALF OF THE YEAR

During the first half of 2007, amid unfavorable factors such as intensifying competition in the power market, continuously declining utilization hours of generating units and sustained high coal prices, the Company strengthened its management, enhanced its sales and marketing institutions, reinforced its accountability appraisals and enhanced its incentive systems, etc. As a result, the Company achieved new development in various aspects including production safety, sales and marketing of electricity, operation management, energy saving, environment protection and project development.

Power Generation

During the first half of 2007, the Company's power plants achieved a total power generation of 80.618 billion kWh based on a consolidated basis, an increase of 13.92% (excluding the power generation of Sichuan Hydropower) over the same period last year. The increase in power generation was attributable to the following factors: the Company has strengthened its sales and marketing effort and adopted effective sales and marketing strategies, thereby facilitating a relatively rapid growth of the Company's power generation; secondly, the continued economic growth in the regions where the Company's power plants are located had also driven the growth of power demand and provided the Company with favorable market conditions for more power generation by the Company's power plants; and thirdly, the newly operated generating units at Yuhuan Power Plant, Luohuang Power Plant, Huaiyin Power Plant, Xindian Power Plant, Yueyang Power Plant and Taicang Power Plant increased the overall power generation capacity of the Company and contributed to the growth of the Company's power generation.

Cost Control

During the first half of the year, faced with unfavorable factors including sustained high thermal coal prices and instability of coal quality, the Company further strengthened the control of fuel costs. On the one hand, the Company adjusted the coal purchase structure in a timely manner and contained the coal purchase costs by controlling the purchase volume of high-price thermal coal, raising the fulfilment rate of high-quality low-price coal and opening up channels for coal import. On the other hand, the Company closely monitored the price changes in the coal market and seized on the characteristics of seasonal variations in coal prices, thereby effectively controlling the market purchase prices and containing coal purchase costs to the maximum extent. The unit fuel cost of the Company for the first half of the year was RMB168.71/MWh, an increase of 8.16% when compared to the same period last year.

Energy Saving and Environmental Protection

The Company attached great importance to energy saving and environmental protection work. All the newly built generating units are equipped with flue-gas desulphurization facilities and the Company has strengthened environmental protection renovation work on the existing generating units. During the first half of the year, eight desulphurized generating units totalling 3,410MW have commenced operation and the desulphurization operation efficiency rate was above 95% generally. As at 30 June 2007, the Company has installed desulphurized generating units amounting to 12,440MW, accounting for 41.8% of the controlling generation capacity of the existing coal-fired units of the Company. According to the Company's plan, the installation of desulphurization facilities of the Company's generating units will reach 100% by 2010.

The Company has made further efforts in energy saving and emissions reduction, and achieved new grounds in the work on energy saving, consumption reduction and environmental protection by adopting various energy saving measures, including strengthening energy saving management, increasing investment in energy saving and emission reduction and fully utilizing power saving technology. Various production and technical indices have improved when compared to the same period last year and the Company's coal consumption rate for power generated and coal consumption rate for power sold were 313.15 gram/kWh and 332.29 gram/kWh respectively in the first half of 2007, representing decreases of 3.94 gram/kWh and 3.99 gram/kWh respectively, compared to the same period of 2006. Given the substantial increase in the number of desulphurized generating units, the average house consumption rate declined slightly compared to the same period of the previous year.

Project Development and Construction

The Company made smooth progress on its construction projects and preparation work of its power projects:

(a) In January 2007, a 600 MW coal-fired generating unit (Unit 6) of Luohuang Power Plant commenced its commercial operation. This has added 360 MW generation capacity on an equity basis, raising the Company's generation capacity on an equity basis to 28,187 MW and the controlling generation capacity to 32,224 MW;

(b) By the end of July 2007, two 1,000 MW coal-fired generating units at Yuhuan Power Plant Phase II, two 600 MW coal-fired generating units at Rizhao Power Plant Phase II and two 600 MW coal-fired generating units at Qinbei Power Plant Phase II had obtained the approval from the National Development and Reform Commission;

(c) The projects-under-construction and other proposed projects of the Company progressed smoothly.

Capital Operation

In the first half of this year, the Company captured favorable opportunities in the capital market to deal with the shares and warrants of Yangtze Power held by the Company. This has not only improved the level of earnings per share, but has also provided the Company with experience in the operation of the capital market.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

Power demand in the second half of the year will be growing at a steady and fast pace, thus providing favorable market conditions for more power generation by the Company. Likewise, the State's implementation of the policies of "Replacing small coal-fired units with large coal-fired units" and "Save Energy, Reduce Emissions" will be favorable to the Company which enjoys the advantages of large-scale high efficiency generating units and wide coverage of service areas.

On the other hand, given that various power generation projects came into operation during the past few years, market competition will continue to intensify and utilization hours of generating units will further decrease.

In relation to coal supply, given that the increase in major contract prices for coal had been high this year, it is expected that the market purchase prices will continue to hover at high levels. The Company will continue to encounter high operating pressure in respect of fuel price control. The Company will strive to contain the annual increase in unit fuel cost to around 8%.

For production and operation in the second half of the year, the Company has the confidence in seizing the opportunies, capitalizing on its advantages and overcoming difficulties to ensure that the year's target relating to production and operation can be accomplished.

The major operation plans for the second half of the year include:

1. to strengthen the management of equipment operation and to increase the reliability of generating units so as to ensure safe and stable power generation of the power plants;

2. to continue to strengthen sales and marketing work and to strive to increase power generation;

3. to strengthen coal purchase management, to ensure a stable and effective supply and to use the best endeavours to contain the increase in unit fuel costs;

4. to promote energy saving and environmental protection work in full force, to strive to improve the operation efficiency of generating units and to fully achieve energy saving and emission reduction targets;

5. to ensure that the construction projects will be completed with high quality, to actively push forward preliminary work of proposed projects and to accelerate the pace of development of the Company.

OPERATING RESULTS

Comparison and Analysis of Operating Results

Comparison of operating results between the first half of 2006 and 2007.

From 2007 onwards, the Company's equity interest in Sichuan Hydropower is reduced from 60% to 49%, and therefore the financial statements of Sichuan Hydropower are not consolidated into the Company's financial statements starting from January 2007.

Summary

During the first half of 2007, the Company experienced overall sound development with continued rapid growth in operating revenue and profit. The development of its infrastructure construction and projects are being carried out smoothly. Meanwhile, the Company has maintained its leading position on energy conservation and environmental protection in the industry.

Regarding the power market and utilization of power equipment, the rapid growth of power demand presented a good opportunity for the development of power sector. The Company has seized this opportunity to have built and put into operation a large number of generation units in recent years and therefore reinforced and increased its market share. After deducting the electricity generated by Sichuan Hydropower, the Company recorded an increase of 13.87% on its sale of electricity, of which 17.38% was contributed from the sale of the electricity generated by the new generation units put into operations since 2006 (including Yueyang Phase II, Taicang Phase II, Shanghai Combined-Cycle unit, Luohuang Phase III, Huaiyin Phase III, Yuhuan Power Plant, and Xindian Phase III, same as below). At the same time, the Company experienced slight decrease of the utilization hours of power generation units compared with the same period of last year as a result of the generally static demand-supply status in power generation market.

In respect of power tariff, the average tariff rate of the Company increased by RMB 21.58 per MWh to RMB 356.82 per MWh from the same period of last year, which is mainly attributable to the implementation of the "Coal-electricity price linkage mechanism" during the second half year of 2006.

On fuel supply and cost controls, the relative ease on coal transportation pressure provided a window of opportunity for the Company to organize fuel supply, however, the increase of the prices as entered into under key coal purchase contracts and quoted in coal sourcing market has pushed up the fuel costs of the Company. The unit fuel cost per unit of electricity sold by the Company increased by 8.16% when compared with the same period of 2006 and 7.25% when compared with the full year of 2006.

With the implication of the foregoing factors, the Company and its subsidiaries experienced a 16.68% (or 21.21% excluding Sichuan Hydropower) year-on-year increase in consolidated operating revenue during the first half of 2007. The Company and its subsidiaries recorded a profit attributable to equity holders of the Company of RMB 2.875 billion for the first half of 2007, up 32.70% from RMB 2.167 billion for the same period of last year. The increase of profit attributable to equity holders of the Company was mainly attributable to the commenced operations of new power units, the adjustment of tariff rate under the "Coal-electricity price linkage mechanism" implemented from June 2006, as well as the sale of a portion of the shares of Yangtze Power Co., Ltd. held by the Company.

1. Operating revenue and sales tax

Operating revenue represents consideration receivable or received from electricity sold net of amounts received in advance. For the six months ended 30 June 2007, the consolidated operating revenue of the Company and its subsidiaries amounted to RMB 23.144 billion, representing an increase of 16.68% (or 21.21% excluding Sichuan Hydropower) over RMB 19.835 billion for the same period of last year.

The increase in operating revenue is mainly attributable to the operations of new power plants. The newly operated power plants contributed RMB 3.972 billion to the increase in the consolidated revenue of the Company.

The average tariff rate of the Company and its subsidiaries was RMB 356.82 per MWh for the first half of 2007, up by 6.41% (or 6.44% excluding Sichuan Hydropower) from RMB 335.31 per MWh in the same period of last year. Such an increase is mainly attributable to the implementation of the "Coal-electricity price linkage mechanism" from June 2006, and the tariff of relevant power plants was adjusted accordingly.

Sales tax mainly consists of value-added tax surcharges. According to relevant administrative regulations, such surcharges include the Education Surcharges and City Construction Tax calculated at prescribed percentages on the amounts of the value-added tax paid. Such surcharges are currently not applicable to direct foreign investments that have been approved by the government, hence certain power plants of the Company do not pay such surcharges. For the first half of 2007, the sales tax increased RMB 3 million to RMB 70 million from RMB 67 million for the same period of last year, mainly attributable to the increase of the tax base due to the addition of newly operated power plants.

2. Operating expenses

For the first half of 2007, the consolidated operating expenses of the Company and its subsidiaries increased by 19.21% (or 21.44% excluding Sichuan Hydropower) to RMB 19.590 billion from RMB 16.432 billion for the same period of last year.

The increase of operating expenses were mainly attributable to the operations of new power plants, which accounted for RMB 3.033 billion of the increase in consolidated operating expenses, while, excluding the above new power plants factor, the increase of operating expenses would be RMB 0.425 billion if excluding Sichuan Hydropower, which was mainly attributable to the increase in coal prices and other costs.

2.1 *Fuel cost*

Fuel cost represented the largest portion of the operating expenses of the Company and its subsidiaries, which has increased by 22.87% to RMB 12.749 billion for the first half of 2007 from RMB 10.376 billion for the same period of last year. The increase in fuel cost was due to operations of new power plants, which accounted for RMB 2.094 billion of the increase in fuel cost.

During the first half of 2007, the average price of natural coal of the Company and its subsidiaries increased by 7.33% to RMB 367.07 per ton from RMB 342.00 for the same period of last year. The unit fuel cost per unit of electricity sold increased by 8.16% to RMB 168.71 per MWh compared with the same period of last year due to the deterioration in the quality of the coal.

2.2 *Depreciation*

Depreciation expenses of the Company and its subsidiaries have increased by 9.42% (or 17.65% excluding Sichuan Hydropower) to RMB 3.568 billion for the first half of 2007 from RMB 3.261 billion for the same period of last year. The increase of depreciation expenses was mainly attributable to the operations of new power plants, which accounted for RMB 578 million.

2.3 *Labor*

Labor costs include salaries, bonus, welfare and those housing funds, medical insurance, pension and unemployment insurance that paid to relevant government authorities, etc.. Labour costs of the Company and its subsidiaries amounted to RMB 1.400 billion for the first half of 2007, representing an increase of RMB 86 million (or RMB 127 million excluding Sichuan Hydropower) from RMB 1.314 billion for the same period of last year. Such an increase was mainly attributable to the operations of new power plants which caused the related labor costs to be charged into labor cost instead of being capitalised.

2.4 ***Other operating expenses***

Other operating expenses of the Company and its subsidiaries amounted to RMB 1.089 billion for the first half of 2007, representing an increase of RMB 236 million (or RMB 248 million excluding Sichuan Hydropower) from RMB 853 million for the same period of last year. The increase is mainly attributable to the operations of new generation plants.

3. Financial expenses

The consolidated net financial expenses of the Company and its subsidiaries for the first half of 2007 amounted to RMB 851 million, representing an increase of RMB 139 million (or RMB 233 million excluding Sichuan Hydropower) from RMB 712 million for the same period of last year. The increase of financial expenses was mainly attributable to the fact that the interest expense arising from new generation plants was not capitalized since the operations of these generation plants, which accounted for RMB 286 million.

4. Share of profit of associates

The share of profit of associates of the Company and its subsidiaries for the first half of 2007 was RMB 303 million, representing a decrease of RMB 49 million from RMB 352 million for the same period of last year.

5. Investment income, net and gain on disposals of investments

The investment income, net and gain on disposals of investments of the Company and its subsidiaries for the first half of 2007 was RMB 673 million in total, representing an increase of approximately RMB 607 million from RMB 66 million for the same period of last year, which was attributable to the increase of the fair value of warrants of Yangtze Power Co., Ltd. ("Yangtze Power"), and gain from the sale of some of Yangtze Power's shares.

6. Enterprise income tax ("EIT")

There is no change to the preferential tax policies applicable to the Company in the current period. The consolidated EIT of the Company and its subsidiaries for the first half of 2007 amounted to RMB 561 million, representing an increase of 9.55% (or 22.60% excluding Sichuan Hydropower) from RMB 512 million for the same period of last year. The increase in EIT was mainly attributable to the increase of pre-tax profit.

7. Net profit (excluding minority interests) ("net profit")

The net profit of the Company and its subsidiaries amounted to RMB 2.875 billion for the first half of 2007, representing an increase of 32.70% from RMB 2.167 billion for the same period of last year. The increase of net profit was mainly attributable to the commencement of the operations of new power units, the adjustment of tariff rate under the "Coal-electricity price linkage mechanism" implemented from June 2006, as well as the sales of a portion of the shares of Yangtze Power held by the Company.

8. Comparison of financial positions

As at 30 June 2007, total assets of the Company and its subsidiaries were RMB 109.671 billion, representing a decrease of 3.75% from the RMB 113.939 billion as at 31 December 2006, or an increase of 7.16% excluding Sichuan Hydropower.

The capital expenditure for infrastructure construction and renovation projects of the Company and its subsidiaries for the first half of 2007 totaled RMB 6.752 billion, which was mainly financed by internal funding, debts financing and cash flows generated from operating activities.

9. Major financial ratios comparison

	The Company and its subsidiaries	
Item	As at 30 June 2007	As at 31 December 2006
Ratio of liabilities and shareholders' equity	**1.43**	1.46
Current ratio	**0.47**	0.51
Quick ratio	**0.38**	0.43

	For the six months ended 30 June 2007	For the year ended 31 December 2006
Multiples of interest earned	**3.74**	3.87

Computation formula of these financial ratios:

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

Current ratio = balance of the current assets at the end of the period / balance of current liabilities at the end of the period

Quick ratio = (balance of current assets at the end of the period - balance of inventories at the end of the period) / balance of current liabilities at the end of the period

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

The current ratio and quick ratio remained at a relatively low level and decreased in the middle of the year compared to the beginning of the year, which was mainly attributable to the increase in short-term borrowings as a result of increased capital expenditure during the first half of 2007.

The ratio of liabilities and shareholders' equity decreased slightly compared to the beginning of the year mainly attributable to the exclusion of Sichuan Hydropower from the consolidation scope, whose ratio of liabilities and shareholders' equity was higher than the average of the Company.

The multiples of interest earned decreased compared with the same period of last year mainly attributable to the increase in infrastructure construction borrowings.

During the first half of 2007, a substantial portion of capital expenditure of the Company and its subsidiaries was satisfied by short-term borrowings. Accordingly, as at 30 June 2007, the net current liabilities of the Company and its subsidiaries totaled RMB 15.802 billion. Based on the successful financing history of the Company, the significant amount of undrawn banking facilities made available to the Company and its stable operating results, the Company believes that it will be able to meet its liabilities as and when they fall due and meet the capital required for operations. In addition, the Company continued to minimize interest expense by drawing short-term borrowings which bear relatively lower interest rates than long-term borrowings.

Liquidity and Cash Resource

1. Liquidity

	For the six months end 30 June 2007 RMB billion	For the six months ended 30 June 2006 RMB billion	**Change** %
Net cash provided by operating activities	**4.358**	5.353	-18.59%
Net cash used in investing activities	**(6.850)**	(7.578)	-9.61%
Net cash provided by financing activities	**2.595**	1.988	30.51%
Net increase/(decrease) in cash and cash equivalents	**0.103**	(0.237)	-143.53%
Cash and cash equivalents, beginning of period	**3.207**	2.648	21.13%
Cash and cash equivalents, end of period	**3.310**	2.411	37.28%

The net cash inflow from operating activities amounted to RMB 4.358 billion for the first half of 2007, which was lower than the same period of last year mainly because of excluding Sichuan Hydropower from our consolidated financial statements. It is expected that cash flows from operating activities will continue to be the major source of cash for the Company.

Net cash outflow for investing activities mainly consisted of capital expenditure for purchases of fixed assets.

The Company's main financing activities were repayments of loans (including short-term bonds) and the new drawdowns for new projects financing. During the first half of 2007, the Company repaid loans of RMB 5.591 billion, short-term bonds of RMB 5.0 billion, and borrowed new loans of RMB 16.695 billion.

2. Capital expenditure and cash resources

2.1 ***Capital expenditures***

The capital expenditures incurred by the Company in the first half of 2007 amounted to RMB 6.752 billion, mainly used for infrastructure construction and renovation projects, including RMB 1.541 billion for the Yuhuan project, RMB 132 million for the Luohuang expansion project, RMB 31 million for the Xindian expansion project, RMB 335 million for the Shanghai Combined-Cycle project, RMB 164 million for the Huaiyin expansion project, RMB 91 million for the Yueyang expansion project, RMB 670 million for the Yingkou expansion project, RMB 774 million for the Qinbei expansion project, RMB 699 million for the Shang'an Phase III project, RMB 633 million for the Rizhao Phase II project, and RMB 595 million for the Haimen Power Plant project, RMB 68 million for construction of other power plants and RMB 1.019 billion for renovation expenditure.

The Company financed most of the above capital expenditures through internal funding, debts financing and cash flows provided by operating activities.

The Company will continue to incur significant capital expenditures in the next few years and will actively accelerate the development of planned projects based on the principles of commercial viability. As such, the Company will actively engage in new project developments to lay the foundation for the long-term development of the Company. The Company expects to continually finance the above capital expenditure through internal funding, bank borrowings and cash flows provided by operating activities.

2.2 ***Cash resources and anticipated financing costs***

The Company expects the cash resources for capital expenditure to be primarily generated from internal funds, cash flows from operating activities and future debts financing.

Good operating results and good credit status give the Company strong financing capabilities. As at 30 June 2007, the Company and its subsidiaries had available borrowing facilities from banks of RMB 25.598 billion, which provided the Company with a sufficient level of available cash and effectively raised the assets liquidity and repayment capabilities of the Company.

As at 24 May 2007 and 27 June 2007, the Company and its subsidiaries repaid unsecured short-term bonds amounting to RMB 0.5 billion and RMB 4.5 billion, respectively. Annual effective interest rates of such short-term bonds were 3.53% and 3.77%, respectively.

On 22 May 2007, the 2006 shareholders' general meeting of the Company approved the Company issuing unsecured short-term bonds up to RMB 5.0 billion in one or multi-slots within 12 months in the PRC. The Company issued RMB5 billion of unsecured short-term bonds bearing coupon rates of 3.84% per annum on 9 August 2007. These bonds are denominated in RMB and issued at par and will mature in 364 days from their issue date. The effective interest rate of these bonds is approximately 4.26% per annum.

As at 30 June 2007, the total interest-bearing debts of the Company and its subsidiaries amounted to RMB 50.998 billion, including a current portion of RMB 20.069 billion. The interest-bearing debts comprised foreign currency debts amounted to RMB 4.746 billion, including USD528 million, EUR65 million and JPY952 million. The current portion of foreign currency debts included USD105 million, EUR7 million and JPY238 million. In addition, 88.81% of the these foreign currency loans, or RMB 4.215 billion, were fixed rate loans with an average annual interest rate of 5.54%, while the remaining 11.19% of these foreign currency loans, or RMB 531 million, were floating rate loans with an average annual interest rate of LIBOR+0.16%.

Long-term loans of the Company and its subsidiaries mainly comprised fixed rate loans (with annual interest rates ranging from 2.00% to 6.97%). As at 30 June 2007, in accordance with original loan agreements, floating rate loans of the Company and its subsidiaries included balances of USD62 million (with annual interest rates from LIBOR+0.075% to LIBOR+0.43%) and JPY952 million (with annual interest rate at LIBOR+0.3%).

2.3 *Other financing requirements*

The objective of the Company is to bring long-term, stable and growing returns to the shareholders. In line with this objective, the Company follows a proactive, stable and balanced dividend policy. On 22 May 2007, the Company declared a cash dividend of RMB 0.28 per ordinary share, with total dividends amounting to approximately RMB 3.376 billion, as approved at its shareholders' general meeting. For the six months ended 30 June 2007, the Company has paid dividends of approximately RMB 3.281 billion.

Performance and Prospects of Significant Investments

On 22 April 2003, the Company paid RMB 2.39 billion to acquire 25% equity interest in Shenzhen Energy Group. This investment brought the Company a profit of RMB 164 million for the first half of 2007 under the IFRS. Shenzhen Energy Group is the largest power supplier in Shenzhen and its power plants are primarily located in Guangdong Province - one of the most prosperous provinces in the PRC. With strong demand for electricity in that region, it is expected such an investment will bring stable returns to the Company in the future.

In July 2004, the Company paid RMB 1.375 billion to acquire 40% equity interest in Hebei Hanfeng Power Company. This investment brought the Company a profit of RMB 62 million for the first half of 2007 under the IFRS. Hebei Hanfeng Power Company is located in Hebei Province in northern China and there is a strong demand for electricity in that region. The Company expects this investment will contribute stable returns in the future.

Benefits Policy

As at 30 June 2007, the Company and its subsidiaries had 23,359 employees. During the reporting period, there was no material change as to remuneration policies and training programs from prior year.

Related Party Transactions

Accounting to the need of the operation, the Company entered into various transactions with Huaneng Group, HIPDC and their group companies in the ordinary course of business, including but not limited to operating leases on land use rights and property, electricity transmission and fuel purchases, and transportation. Such transactions were for daily operations at terms no different from those for third parties in substance and do not have a material impact on the business and operations of the Company. Moreover, Huaneng Group, HIPDC and the minority shareholders of other subsidiaries have committed or agreed through contracts to provide guarantees on loans to the Company and its subsidiaries.

Pursuant to relevant agreements, the Company rendered management services to power plants owned by Huaneng Group and HIPDC at service fees covering the Company's managing costs and a reasonable profit. For the first half of 2007, such service fees amounted to RMB 25.48 million, which were less than 1% of the operating revenue of the Company.

In January, 2007, Huaneng Group made an additional capital contribution of RMB 615 million to Sichuan Hydropower, thereby increasing its direct equity interest in Sichuan Hydropower from 40% to 51%, which reduced the Company's equity interest in Sichuan Hydropower from 60% to 49%. Huaneng Group thus replaced the Company as the controlling shareholder of Sichuan Hydropower. In addition, the Company acquired 5% equity interest in Qinbei Power Company from Huaneng Group with a consideration of RMB 65.75 million in cash, thereby increased the Company's equity interest in Qinbei Power Company to 60%.

Please refer to Note 17 to the accompanied unaudited condensed consolidated interim financial information prepared under IFRS for details of related party transactions.

Guarantees on Loans

As at 30 June 2007, the balance of the guarantees provided by the Company to Rizhao Power Company, one of its associates, amounted to approximately RMB 111 million. The Company also believes such guarantees do not have material financial impact on the Company.

As at 30 June 2007, The Company had no contingent liabilities.

Exchange Differences

As at 30 June 2007, foreign interest-bearing debts of the Company and its subsidiaries amounted to approximately RMB 4.746 billion, which accounted for 9.31% of total interest-bearing debts, of which Euro debts accounted for 14.10% of the foreign debts, US dollar loans accounted for 84.66% and JPY debts accounted for the remaining portion. The Renminbi exchange scheme reform increases the flexibility of exchange rates and caused considerable impact on the Company's profitability target due to exchange gains or losses. Nevertheless, it has no material impact on the cash flows of the Company. The Company pays close attention to the development and trends of the international foreign currency market, forecasts the future development tendencies and explores feasible risk management solutions with financial derivatives. When the time is right, the Company will approve and implement the relevant solutions in accordance with its internal control procedures.

SHARE CAPITAL STRUCTURE

As at 30 June 2007, the entire issued share capital of the Company amounted to 12,055,383,440 shares, of which 9,000,000,000 shares were domestic shares, representing 74.66% of the total issued share capital, and 3,055,383,440 shares were foreign shares, representing 25.34% of the total issued share capital of the Company. In respect of domestic shares, Huaneng International Power Development Corporation ("HIPDC") owns a total of 5,066,662,118 shares, representing 42.03% of the total issued share capital of the Company while China Huaneng Group ("Huaneng Group") held 1,055,124,549 shares, repesenting 8.75% of the total issued share capital of the Company. Other domestic shareholders hold a total of 2,878,213,333 shares, representing 23.88% of the total issued share capital.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries did not sell any other types of its securities and did not purchase or redeem its own shares or other securities in the first half of 2007.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at 30 June 2007, the shareholding position of the shares outstanding of the Company was as follows:

	Total Shareholdings	Percentage of total shares outstanding (%)
Domestic Shares		
Huaneng International Power Development Corporation	5,066,662,118	42.03
China Huaneng Group	1,055,124,549	8.75
Hebei Provincial Construction Investment Company*	603,000,000	5.00
Jiangsu Provincial Investment & Management Limited Liability Company*	416,500,000	3.46
Fujian Investment Enterprise Holdings Limited*	338,466,667	2.81
Liaoning Energy Investment (Group) Limited Liability Company*	332,913,333	2.76
Dalian Municipal Construction Investment Company*	301,500,000	2.50
Minxin Group Limited	108,000,000	0.90
Nantong Investment & Management Limited Company*	90,500,000	0.75
Shantou Power Development Joint Stock Company Limited*	25,333,333	0.21
Dandong Energy Investment Development Centre*	8,666,667	0.07
Shantou Electric Power Development Corporation*	3,333,333	0.03
Domestic Public Shares	650,000,000	5.39
Sub-total	9,000,000,000	74.66
Foreign Shares	3,055,383,440	25.34
TOTAL	12,055,383,440	100

Note:

1. "*" represented shares that have been accorded circulation, of which 602,769,172 of the shares held by Heibei Provincial Construction Investment Company have become listed circulating A shares. Pursuant to the selling restriction, the rest of the shares of 230,828 held by it will become listed circulating A shares on 19 April 2008.

2. On 19 April 2007, the 2,119,982,505 circulating shares of the Company with selling restriction have become listed circulating A shares. Currently, the circulating A shares amounted to 2,769,982,505.

3. As of 30 June 2007, there has been no change to the shares which were listed circulating shares, and which originally were circulating shares with selling restriction.

As at 30 June 2007, so far as the directors, chief executive officer and supervisors of the Company are aware, each of the following persons, not being a director, chief executive officer or supervisor of the Company, had an interest in the Company's shares which is required to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"):

Shares Held/Approximate Shareholding Percentage

Name of shareholder	Class of shares	Number of shares held	Capacity	Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued domestic shares	Approximate percentage of shareholding in the Company's total issued H shares
Huaneng International Power Development Corporation#	Domestic shares	5,066,662,118(L)	Beneficial owner	42.03%(L)	56.30%(L)	—
China Huaneng Group#	Domestic shares	1,055,124,549(L)	Beneficial owner	8.75%(L)	11.72%(L)	—
Hebei Provincial Construction Investment Company	Domestic shares	603,000,000(L)	Beneficial owner	5.00%(L)	6.7%(L)	—
JP Morgan Chase Bank	H shares	108,190,980(L)	Investment manager and custodian	0.90%(L)	—	3.54%(L)
J.P. Morgan Fleming Asset Management (Asia) Inc.	H shares	83,918,000(L)	Investment manager	0.70%(L)	—	2.75%(L)
J.P. Morgan Fleming Asset Management Holdings Inc.	H shares	83,198,000(L)	Investment manager	0.69%(L)	—	2.72%(L)
UBS AG	H shares	170,309,367(L) 82,311,000(S)	Beneficial owne/Interest of controlled corporation/ Holder of security interest in shares	1.41%(L) 0.68%(S)	— —	5.57%(L) 2.69%(S)
JF Asset Management Limited	H shares	80,298,000(L)	Investment manager	0.67%(L)	—	2.63%(L)

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

As at 30 June 2007, Huaneng Group holds 51.98% equity interests in HIPDC.

Save as disclosed above and so far as the directors, chief executive officer and supervisors of the Company are aware, as at 30 June 2007, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company.

PUBLIC FLOAT

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

DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES

The Company has adopted a code in relation to the securities transactions by the directors and supervisors with the standard not lower than that of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Following enquiries made by the Company, all Directors and Supervisors confirmed that they have complied with the Code throughout the first half of 2007.

As at 30 June 2007, none of the directors, chief executive officer or supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, chief executive officer or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

DIVIDENDS

It was resolved by the board of directors (the "Board") not to distribute interim dividends for 2007.

MAJOR EVENTS

For work reasons, Ms. Lu Dan tendered her resignation as the Vice President of the Company to the Board on 14 August 2007.

CORPORATE GOVERNANCE

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 of all shareholders" as the starting point and treats all shareholders fairly in order to ensure the generation of long-term, stable and growing returns for shareholders. The Company has included a corporate governance report in its annual report of 2006 ("2006 Corporate Governance Report") which was prepared in accordance with the requirements of the Listing Rules. None of the Directors is aware of any information that would reasonably indicate that the Company had not, for any part of the period ended 30 June 2007, been in compliance with the Code Provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The following sets out the status of corporate governance of the Company for the first half of this year pursuant to the relevant requirements of the Listing Rules and with reference to the provisions in Appendix 23 of the Listing Rules.

CODE OF CORPORATE GOVERNANCE

As stated in the 2006 Corporate Governance Report, the Company adopted the following measures in recent years to strengthen corporate governance and enhance the Company's operation quality:

(1) Reinforce and enhance Corporate Governance

Except 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. Accordingly, our fundamental principles are to adopt a corporate governance structure balancing and coordinating the decision-making powers, supervisory powers and operating powers, to act with honesty and integrity, and to comply with the law and operate in accordance with the law.

Up to the present, the Board and the Supervisory Committee acted in line with the requirements of the relevant laws and regulations in terms of scale of operations and personnel composition, thereby ensuring that the Board can make effective, scientific and quick decisions and that the Supervisory Committee can independently and effectively exercise its supervisory and inspection powers over the directors, managers and other senior management personnel as well as the Company's finances. At the same time, the rejuvenation adjustments to the management team have effected an innovative and dynamic development, ensuring an integral implementation of the resolutions of the Board and the Supervisory Committee and the establishment of a scientific and highly effective corporate governance structure.

Over the past years, the Company's Board formulated and implemented the Rules and Procedures for the Board of Directors Meetings; the Rules and Procedures for the Supervisory Committee Meetings; the Detailed Rules on the Work of the President; 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 Renumeration and Appraisal Committee of the Board of Directors; and the System on the Work of Independent Directors. The Board has also discussed and approved a number of proposals on the amendments to the Articles of Association. The Company has complied with the provisions of the Code on Corporate Governance Practices in Appendix 14 to the Hong Kong Listing Rules in the first half of this year.

(2) Reinforce and enhance the management of 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 is 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 on the relevant information disclosure. The Company has successively formulated and implemented a series of rules including the Measures on Investor Relations Management, the Provisions on Internal Reporting of External Disclosure of Material Information, the Detailed Rules on the Work of the Information Disclosure Committee, the Interim Provisions on the Work Procedures of Capital Operation and the Rules and Procedures for the Shareholders' Meetings. In June this year, the Company has formulated and implemented a series of regulations including the Provisions on the Management of Information Disclosure of Huaneng Power International, Inc., and the Codes Governing the Holding of the Company's Securities by Directors, Supervisors and Senior Management Personnel of Huaneng Power International, Inc.; has amended the Provisions on the Investor Relations Management of Huaneng Power International Inc.; and has concurrently repealed the Provisions on the Management of External Information Disclosure Work and the Regulations for Internal Reporting Regarding External Disclosure of Significant Information by Huaneng Power International, Inc.. Relevant departments of the Company compiled answers (and subsequent updates) to questions regarding the hot topics of market concerns and the Company's production, operation and operating results in a timely manner, which shall become the basis of external communication after being approved by the Company's management and the authorized representatives of the Information Disclosure Committee. Also, the Company engages US, Hong Kong and mainland lawyers to conduct professional training for the personnel of the Company responsible for information disclosure on an irregular basis in order to continuously enhance their level of professionalism. The implementation of the above rules and measures ensures that the Company completes various external disclosure work effectively, thereby increasing the transparency of the Company's operation and establishing a good corporate image in the capital market.

(3) Regulate financial management system, enhance 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 management over financial accounting and review; and to truly and fairly reflect the financial position, operating results and cash flows, the Company has compiled the Measures on Financial Accounting, the Measures on Construction Financial Accounting, the Guidelines on Accounting Fundamentals of Construction Financial Accounting, the Measures on Fixed Assets Management, Fixed Assets Register and the Measures on Cost Management. The Company's Board and the Audit Committee have examined the Company's financial reports on a quarterly basis and the Company has fulfilled the requirements of making the Chairman, the President and the Chief Accountant responsible for the truthfulness and completeness of the financial reports.

2. In order to safeguard the independence of the listed company, the Company adopted the segregation of personnel in the organizational structure and specifically established institutions responsible for the entrusted business (the business related to the assets entrusted by Huaneng Group for management) 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 order to establish a sound internal control system, to achieve expected operating results and efficiency, to assure the credibility of the financial reporting and to effectively improve our capability in risk management, the Company has launched a project in 2003 to improve its internal control in a comprehensive manner. During the last few years, the Company developed a strategic plan and set objectives for internal control. The Company's long-term objective is to enhance its internal control in all aspects to constantly improve its capability to develop, compete and manage risk. The Company established an internal control organization system, and strengthened internal control at both the corporate and the power plant levels. The Company established its internal control procedures on the basis of the COSO control framework, which accommodates the Company's management characteristics. The Company designed and implemented the "Internal Control Manual", which is recognized by the Company as the "constitution" for the management of internal control. The Company has carried out self-evaluations of internal control, identified certain deficiencies and remedied such deficiencies in a timely manner. The Company disseminated information and provided training to its employees with regard to internal control concepts and procedures.

   After a full evaluation, the Company considered that the improvement work on internal control and its procedures were effective and such improvement measures have enhanced the effectiveness of the internal control on financial reporting.

On 3 April 2007, the external auditors have formally issued an unqualified audit report on the internal control of the Company for 2006 without any qualifications, thus realizing smoothly the internal control work target of the Company for 2006 to become one of the first PRC enterprises listed in the US that met the internal control over financial reporting requirements of Section 404 of Sarbane-Oxley Act. Starting from this year, the Company has been implementing measures to normalize the internal control work in different stages and steps, thereby establishing an internal control system that has long-term effectiveness.

4. With 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. Provisions relating to loans, guarantees and investments are also set out in the Company's Articles of Association. 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 (the "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 checking and clearing with related parties on a quarterly basis 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 to the Beijing Securities Regulatory Bureau on a quarterly basis and urged itself to comply with the relevant requirements 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 systems not only ensure the on-going standardization of operations of the Company and gradual enhancement of corporate management quality, but also enable the Company to be awarded honorable acclaims over the past years, including: "The Best Corporate Governance Award in China"; ranked first in "The Overall Best Managed Company in China"; ranked first in "The Best Company in Corporate Strategy and Best Operational Efficiency in China"; ranked second in "Most Concerned with Shareholders´ Value"; The Best Investor Relations Award"; "The Best Utilities Company Award in Asia"; "The Best Information Disclosure Communication for Acquisitions and Mergers Award"; "The Best Corporate Governance in China"; and "The Best Secretaries to the Board of Directors in China". The above awards were conferred by authoritative publications in the international capital markets including *Institutional Investors Magazine, Euromoney, Asiamoney, Asia Finance, IR Magazine* and *The Capital*, thus establishing a good overall image for the Company in both the domestic and international capital markets.

Securities Transactions by Directors

As the Company is listed in three places, 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, that is, implementing the strictest clause among three places. We have adopted a set of standards not lower than that of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules as the model code for securities dealings by directors of the Company, that is, "The Administrative Rules on Securities Information and Transactions of Companies". We have formulated and implemented the Codes Governing the Holding of the Company's Securities by Directors, Supervisors and Senior Management Personnel of Huaneng Power International, Inc. to strictly require that the activities relating to the transfer of the Company's securities to be conducted in accordance with the Company Law and the relevant system, prohibiting informed personnel with insider information of securities transactions to conduct securities dealing activities, and we have formulated detailed regulations on the informed personnel with insider information. Following a specific enquiry on all the directors and senior management of the Company, all the directors and senior management personnel do not hold any shares in the Company and there is no material contract in which the directors directly or indirectly have material interests.

Board of Directors

The Company's Board shall comprise 15 members (temporarily with one vacancy). During the reporting period, Mr. Li Xiaopeng acted as the Chairman and Mr. Huang Yongda and Mr. Huang Long were the Vice Chairmen of the Board. The Executive Directors of the Company are Mr. Li Xiaopeng and Mr. Na Xizhi (President); other Non-executive Directors are Mr. Huang Yongda, Mr. Huang Long, Mr. Wu Dawei, Mr. Shan Qunying, Mr. Ding Shida, Mr. Xu Zujian and Mr. Liu Shuyuan. The Company has five Independent Non-executive Directors comprising one-third of the members of the Company's Board, namely, Mr. Qian Zhongwei, Mr. Xia Donglin, Mr. Liu Jipeng, Mr. Wu Yusheng and Mr. Yu Ning.

The Board of the Company held six meetings during the reporting period including regular meetings and ad hoc meetings (including those with voting by communication). The resolutions passed at such meetings included Resolutions on Connected Transactions for 2007; Recognition of Financial Instruments, Scope of Capitalization of General Borrowings Interests; Resolutions on the Liability Insurance regarding Directors and Senior Management Personnel; Resolutions on Issuance of Short-Term Debentures; Resolutions on Authorizing the Bank of New York to Submit Form 6-K to the US Securities and Exchange Commission; the 2006 Annual Report and its summaries; Budget for the 2006 Profit Distribution Plan; First Quarterly Report of 2007; Corporate Goverance Self-investigation Report and Proposal for Amendment to the Internal Control of Huaneng Power International, Inc.; Provisions on the Management of Information Disclosure of Huaneng Power International, Inc.; Provision on the Investor Relations Management of Huaneng Power International, Inc.; Codes Governing the Holding of the Company's Securities by Directors, Supervisors and Senior Management Personnel of Huaneng Power International, Inc., etc.

As stated in the 2006 Corporate Governance Report, the Company's Articles of Association set out in details 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 decision. Material decisions on operations 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 meeting, half-yearly meeting, first quarterly meeting and third quarterly meeting.

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. Minutes have been taken for all the meetings and filed at the Office of the Board of the Company.

Apart from regular and ad hoc meetings, the Board obtained information through meetings of the Chairman's 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 the terms and conditions of material agreements. The meetings of the Chairman's Office discharged the duties on behalf of the Board when the Board was not in session.

Meetings of the Chairman's Office are held irregularly which are attended by the Chairman, the Vice Chairmen, the Secretary to the Board, the President, relevant senior management and personnel of relevant departments, and they hear reports on the operating conditions of the Company and make decisions. The content of the meetings covers: (1) to examine and approve the establishment or cancellation of proposals to develop construction projects; (2) to examine and approve 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 companies or branch organs; (5) to study issues regarding the power market reforms and power 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; implementing annual operation plans and investment proposals; and formulating the Company's management system, etc.

The Chairman of the Company shall, on behalf of the Board, 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.

Chairman and Chief Executive Officer

The Board of 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. Li Xiaopeng acted as the Chairman of the Board and Mr. Na Xizhi acted as the President of the Company.

The division of duties of the Board and the senior management remained the same as mentioned in the 2006 Corporate Governance Report.

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 may be 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 CSRC.

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

Name of Non-executive Director	Term of office
Huang Yongda	7 March 2006 - May 2008
Huang Long	7 March 2006 - May 2008
Wu Dawei	11 May 2005 - May 2008
Shan Qunying	11 May 2005 - May 2008
Ding Shida	17 November 2005 - May 2008
Xu Zujian	11 May 2005 - May 2008
Liu Shuyuan	11 May 2005 - May 2008

Directors' Remuneration

According to the provisions of the relevant laws of the State and the Articles of Association, the Board of the Company has established the Remuneration and Appraisal Committee. Accountable to the Board, the Committee is mainly responsible for studying the appraisal standards of the directors and senior management personnel of the Company; conducting appraisals and making proposals; and studying and examining the remuneration policies and proposals of the directors and senior management personnel of the Company. As the Executive Directors of the Company are senior management of the Company, their performance appraisals have been reflected in the assessment and appraisal conducted by the Board on the management team. During the reporting period, Mr. Na Xizhi has obtained remuneration of the Company in the capacity of executive director and his remuneration is set out in the annual aggregate wages calculated according to the internal wage system of the Company. The aggregate wages were submitted to the Board after having been examined by the Remuneration and Appraisal Committee. The executive directors have complied with the requirements of the Stock Exchange and entered into directors' service agreements by adopting the Stock Exchange's standard contract.

Members of the Remuneration and Appraisal Committee of the Fifth Session of the Board comprised seven directors, namely Mr. Liu Jipeng, Mr. Na Xizhi, Mr. Xu Zujian, Mr. Liu Shuyuan, Mr. Qian Zhongwei, Mr. Xia Donglin and Mr. Wu Yusheng; of whom Mr. Liu Jipeng, Mr. Qian Zhongwei, Mr. Xia Donglin and Mr. Wu Yusheng were Independent Non-executive Directors. Mr. Liu Jipeng acted as the Chief Member of the Remuneration and Appraisal Committee.

The Remuneration and Appraisal Committee operated properly in accordance with the Detailed Rules on the Work of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee of the Fifth Session of the Board held a meeting on 2 April 2007, at which the proposal regarding the aggregate wages for 2007 has been discussed and approved.

Nomination of Directors

According to the provisions of the relevant laws of the State and 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 requirements of the Company Law and Securities Law and in relation to directors' qualifications 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 broad basis; and examining the candidates for directors and suitable persons for senior management personnel and making proposals thereon. At present, nominations of directors of the Company mainly made by the major shareholders of the Company and the names are submitted to the Board after the Nomination Committee has examined their qualifications; and candidates for the Vice Presidents and senior management of the Company are nominated by the President and the names are submitted to the Board after the Nomination Committee has examined their qualifications.

Members of the Nomination Committee of the Fifth Session of the Board were Mr. Qian Zhongwei, Mr. Huang Long, Mr. Shan Qunying, Mr. Ding Shida, Mr. Xia Donglin, Mr. Liu Jipeng and Mr. Yu Ning; of whom Mr. Qian Zhongwei, Mr. Xia Donglin, Mr. Liu Jipeng and Mr. Yu Ning were Independent Non-executive Directors. Mr. Qian Zhongwei acted as the Chief Member of the Nomination Committee.

Appointment of Auditors

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were re-appointed as the international auditors and PRC auditors of the Company respectively for 2007.

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 the Company has established the Audit Committee mainly responsible for:

(1) proposing to appoint or change external auditing organizations;

(2) examining and supervising the Company's internal audit system and its implementation;

(3) communicating between internal auditing and external auditing;

(4) auditing the Company's financial information and related disclosure;

(5) any other matters required by the Company's Board.

Such responsibilities are the same as those set out in the 2006 Corporate Governance Report.

Members of the Audit Committee of the Fifth Session of the Board comprised five directors, namely, Mr. Xia Donglin, Mr. Qian Zhongwei, Mr. Liu Jipeng, Mr. Wu Yusheng and Mr. Yu Ning; all the above members were Independent Non-executive Directors; Mr. Xia Donglin acted as Chief Member of the Audit Committee.

In the first half of the year, the Company's Audit Committee held two meetings on 2 April 2007 and 23 April 2007, respectively. As the duties of the Audit Committee, the members of the Audit Committee interviewed and discussed with the Company's legal counsels, external auditors, management and the relevant departments in respect of the applicable laws and regulations in the jurisdictions where the Company's shares are listed, the status of anti-fraud, staff appointments, the implementation of the internal control system as well as the audit conducted by the external auditors. The members raised their opinions and provided a number of suggestions in relation thereto. The following were approved at the meetings: the 2006 work report and the 2007 work proposal including the budget for auditing funds of the Audit Department of the Company, the 2006 financial report; the 2007 financial budget; the 2006 profit distribution plan; the proposal regarding the appointment of external auditors; and the First Quarterly Report of 2007. The Audit Committee submitted to the Board a report summarizing its work in the past year and the reports on the matters examined.

Shares held by senior management

As at 30 June 2007, none of the senior management of the Company holds shares in the Company.

Strategy Committee

For compliance with the relevant requirements of the regulations in the jurisdictions where the shares of the Company are listed as well as the Articles of Association of the Company, the Board has established a Strategy Committee with the following key responsibilities:

(1) reviewing and advising on the Company's long-term strategic development plan;

(2) reviewing and advising on the major fund raising proposals that need to be approved by the Board;

(3) reviewing and advising on the major production and operating projects that need to be approved by the Board;

(4) studying and advising on the matters that would significantly affect the development of the Company;

(5) examining the implementation of the above-mentioned matters;

(6) attending those matters at the request of the Board.

Members of the Strategy Committee of the Fifth Session of the Board comprised six directors, namely Mr. Li Xiaopeng, Mr. Huang Yongda, Mr. Huang Long, Mr. Na Xizhi, Mr. Wu Dawei and Mr. Wu Yusheng. Mr. Li Xiaopeng acted as the Chief Member of the Strategy Committee.

The 2007 Report on Risk Categorization and Implementation of Preventive and Control Measures of the Company was approved by the Strategy Committee on 25 May 2007. Pursuant to the rules on risk management, all functional departments and their respective supervising and management units of the Company provided their risk analysis interim reports to the risk management leading units of the Company. The 2007 Interim Risk Report is under preparation. Currently, the effective implementation of the rules has continuously improved the Company's internal control and risk management systems.

REVIEW BY THE AUDIT COMMITTEE

The interim results of 2007 have been reviewed by the Audit Committee of the Company.

LEGAL PROCEEDINGS

As at 30 June 2007, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company as far as the Company is aware of.

DOCUMENTS FOR INSPECTION

The interim report for the first half of 2007 of the Company containing all the information required by the Listing Rules has been published on the Hong Kong Stock Exchange's website. The Company will also file the interim report in Form 6-K with the US Securities and Exchange Commission. Copies of the interim report for 2007 will be available at the following addresses and websites:

PRC	Huaneng Power International, Inc. West Wing, Building C Tianyin Mansion 2C Fuxingmennan Street Xicheng District Beijing The People's Republic of China
	Telephone Number: (8610) 6649 1999 Fax Number: (8610) 6649 1860 Postal code: 100031
Hong Kong	Rikes Communications Limited Room 1312, Wing On Centre 111 Connaught Road Central Hong Kong
	Telephone No: (852) 2520 2201 Fax No: (852) 2520 2241
Websites of the Company	http://www.hpi.com.cn; http://www.hpi-ir.com.hk

By Order of the Board
Li Xiaopeng
Chairman

The directors of the Company are:

Li Xiaopeng *(Executive Director)*
Huang Yongda *(Non-executive Director)*
Na Xizhi *(Executive Director)*
Huang Long *(Non-executive Director)*
Wu Dawei *(Non-executive Director)*
Shan Qunying *(Non-executive Director)*
Ding Shida *(Non-executive Director)*
Xu Zujian *(Non-executive Director)*
Liu Shuyuan *(Non-executive Director)*

Qian Zhongwei *(Independent non-executive director)*
Xia Donglin *(Independent non-executive director)*
Liu Jipeng *(Independent non-executive director)*
Wu Yusheng *(Independent non-executive director)*
Yu Ning *(Independent non-executive director)*

Beijing, the PRC
14 August 2007

Condensed Consolidated Interim Balance Sheet (unaudited)

As at 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Note	As at 30 June 2007	As at 31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment, net	4	**83,246,977**	90,444,225
Investments in associates		**6,999,568**	5,418,213
Available-for-sale investment		**2,594,485**	1,458,759
Land use rights		**2,041,706**	2,013,480
Deferred income tax assets		**98,203**	98,429
Goodwill		**553,924**	671,796
Other non-current assets		**192,740**	269,404
Total non-current assets		**95,727,603**	100,374,306
Current assets			
Inventories, net		**2,765,561**	2,121,489
Other receivables and assets, net		**505,708**	615,488
Accounts receivable, net	5	**7,057,184**	7,315,683
Financial assets at fair value through profit or loss		**—**	100,180
Due from Huaneng Group		**9,136**	—
Prepayments to other related parties		**89,119**	621
Restricted cash		**206,762**	203,863
Cash and cash equivalents		**3,310,099**	3,207,192
Total current assets		**13,943,569**	13,564,516
Total assets		**109,671,172**	113,938,822

Condensed Consolidated Interim Balance Sheet (unaudited) (Cont'd)

As at 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Note	As at 30 June 2007	As at 31 December 2006
EQUITY AND LIABILITIES			
Capital and reserves attributable to the equity holders of the Company			
A shares, par value of RMB1.00 each		**9,000,000**	9,000,000
Overseas listed foreign shares, par value of RMB1.00 each		**3,055,383**	3,055,383
Additional paid-in capital		**8,988,973**	8,988,973
Dedicated capital		**5,424,223**	5,454,467
Fair value gains from available-for-sale investment, net of tax		**1,271,505**	998,825
Retained earnings			
Proposed dividend	6	**—**	3,375,507
Others		**15,489,979**	12,584,354
		43,230,063	43,457,509
Minority interests		**4,617,299**	7,151,183
Total equity		**47,847,362**	50,608,692
Non-current liabilities			
Long-term loans from Huaneng Group	7	**2,800,000**	2,800,000
Long-term bank loans	7	**28,018,744**	32,065,840
Other long-term loans	7	**109,436**	232,779
Deferred income tax liabilities		**795,184**	1,078,897
Other non-current liabilities		**355,179**	309,930
Total non-current liabilities		**32,078,543**	36,487,446

As at 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Note	As at 30 June 2007	As at 31 December 2006
Current liabilities			
Accounts payable and other liabilities	8	**8,357,138**	8,221,787
Dividends payable to shareholders		**312,810**	—
Taxes payables		**770,577**	1,191,783
Due to Huaneng Group		**190**	44,592
Due to HIPDC		**132,945**	79,730
Due to associates		**5,655**	83,512
Due to other related parties		**143,544**	65,795
Salary and welfare payables		**433,238**	584,043
Short-term bonds	9	**—**	5,077,577
Short-term loans	10	**16,645,490**	8,161,910
Current portion of long-term bank loans	7	**2,777,201**	3,140,393
Current portion of other long-term loans	7	**166,479**	191,562
Total current liabilities		**29,745,267**	26,842,684
Total equity and liabilities		**109,671,172**	113,938,822

The notes on pages 37 to 51 are an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement (unaudited)

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB, except per share data)

	Note	For the six months ended 30 June 2007	2006
Operating revenue		**23,144,059**	19,835,432
Sales tax		**(69,895)**	(67,324)
Operating expenses			
Fuel		**(12,748,974)**	(10,376,099)
Maintenance		**(713,282)**	(558,068)
Depreciation		**(3,567,940)**	(3,260,860)
Labor		**(1,400,480)**	(1,313,664)
Service fees to HIPDC		**(70,386)**	(70,386)
Others		**(1,088,552)**	(853,369)
Total operating expenses		**(19,589,614)**	(16,432,446)
Profit from operations		**3,484,550**	3,335,662
Interest income		**23,332**	23,918
Interest expense		**(972,271)**	(726,125)
Bank charges and exchange gain / (losses), net		**97,974**	(9,971)
Total financial expenses, net		**(850,965)**	(712,178)
Share of profits of associates		**303,343**	351,772
Investment income, net		**127,272**	65,915
Gain on disposals of investments	12	**545,231**	47
Other income, net		**8,779**	1,670
Profit before income tax	13	**3,618,210**	3,042,888
Income tax expense	14	**(560,692)**	(511,823)
Profit for the period		**3,057,518**	2,531,065
Attributable to:			
– Equity holders of the Company		**2,875,381**	2,166,878
– Minority interests		**182,137**	364,187
		3,057,518	2,531,065
Earnings per share for profit attributable to the equity holders of the Company, expressed in RMB per share			
– basic and diluted	15	**0.24**	0.18

The notes on pages 37 to 51 are an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (unaudited)

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company					Minority interests	Total equity
	Share capital	Additional paid-in capital	Dedicated capital	Available-for-sale investment revaluation reserve	Retained earnings		
Balance as at 1 January 2007	12,055,383	8,988,973	5,454,467	998,825	15,959,861	7,151,183	50,608,692
Deemed disposal of a subsidiary	—	—	—	—	—	(2,216,278)	(2,216,278)
Additional acquisition of a subsidiary	—	—	—	—	—	(53,388)	(53,388)
Dividends declared relating to 2006	—	—	—	—	(3,375,507)	(446,355)	(3,821,862)
Profit for the six months ended 30 June 2007	—	—	—	—	2,875,381	182,137	3,057,518
Fair value changes from available-for-sale investment - gross	—	—	—	848,189	—	—	848,189
Fair value changes from available-for-sale investment - tax	—	—	—	(127,248)	—	—	(127,248)
Reversal of deferred income tax	—	—	—	79,105	—	—	79,105
Disposals of available-for-sale investment	—	—	—	(527,366)	—	—	(527,366)
Transfer from dedicated capital	—	—	(30,244)	—	30,244	—	—
Balance as at 30 June 2007	12,055,383	8,988,973	5,424,223	1,271,505	15,489,979	4,617,299	47,847,362
Balance as at 1 January 2006	12,055,383	8,988,107	4,899,429	636,964	13,457,591	6,106,713	46,144,187
Net capital injection from minority shareholders of subsidiaries	—	—	—	—	—	189,882	189,882
Dividends declared relating to 2005	—	—	—	—	(3,013,846)	(202,146)	(3,215,992)
Profit for the six months ended 30 June 2006	—	—	—	—	2,166,878	364,187	2,531,065
Fair value changes from available-for-sale investment – gross	—	—	—	(4,921)	—	—	(4,921)
Fair value changes from available-for-sale investment – tax	—	—	—	(257)	—	—	(257)
Balance as at 30 June 2006	12,055,383	8,988,107	4,899,429	631,786	12,610,623	6,458,636	45,643,964

The notes on pages 37 to 51 are an integral part of this unaudited condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement (unaudited)

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

		For the six months ended 30 June	
	Note	2007	2006
Net cash provided by operating activities		**4,358,299**	5,353,555
Net cash used in investing activities	16	**(6,850,333)**	(7,578,263)
Net cash provided by financing activities	16	**2,594,941**	1,988,309
Net increase/(decrease) in cash and cash equivalents		**102,907**	(236,399)
Cash and cash equivalents as at beginning of the period		**3,207,192**	2,647,665
Cash and cash equivalents as at end of the period		**3,310,099**	2,411,266

The notes on pages 37 to 51 are an integral part of this unaudited condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

1. COMPANY ORGANIZATION AND PRINCIPAL ACTIVITIES

Huaneng Power International, Inc. (the "Company") was incorporated in the People's Republic of China (the "PRC") as a Sino-foreign joint stock limited company on 30 June 1994. The Company and its subsidiaries are principally engaged in the generation and sale of electric power to the respective regional or provincial grid companies in the PRC.

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2007 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

During 2007, a significant portion of the Company and its subsidiaries' funding requirements for capital expenditures were satisfied by short-term borrowings. Consequently, as at 30 June 2007, the net current liabilities of the Company and its subsidiaries amounted to approximately RMB15,802 million (31 December 2006: approximately RMB13,278 million). The Company and its subsidiaries have secured undrawn available banking facilities amounting to approximately RMB25.60 billion (31 December 2006: approximately RMB25.61 billion), and will refinance and / or restructure certain short-term loans into long-term loans and also consider alternative sources of financing, where applicable. Therefore, the directors of the Company and its subsidiaries are of the opinion that the Company and its subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared this unaudited condensed consolidated interim financial information on a going concern basis.

(Amounts expressed in thousands of RMB unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2006. The following new standard, amendment to standard and interpretation are mandatory for annual period beginning on or after 1 January 2007.

- International Financial Reporting Standard ("IFRS") 7, Financial Instruments: Disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard introduces certain revised disclosure requirements, including the mandatory disclosures on sensitivity analysis for each type of market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation and is applicable to all entities reporting under IFRS. The amendment to IAS 1 introduces disclosures on the objectives, policies and processes for managing capital. Except for an extension of disclosures, management considered there was no significant impact from adopting IFRS 7 and the amendment to IAS 1 on the financial statements of the Company and its subsidiaries.

- International Financial Reporting Interpretation Committee Interpretation ("IFRIC Interpretation") 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation prohibits the impairment losses recognized in a previous interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at subsequent balance sheet dates. Management considered there was no significant impact from adopting IFRIC Interpretation 10 on the financial statements of the Company and its subsidiaries.

4. PROPERTY, PLANT AND EQUIPMENT, NET

	As at 30 June 2007	As at 31 December 2006
Beginning of the period / year	**90,444,225**	78,997,297
Additions	**7,476,647**	18,435,186
Disposals	**(169,473)**	(248,242)
Depreciation	**(3,583,928)**	(6,728,096)
Impairment	**(7,044)**	(42,000)
Impairment reversal	**—**	30,080
Deemed disposal of a subsidiary (Note 12)	**(10,913,450)**	—
End of the period / year	**83,246,977**	90,444,225

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net comprised:

	As at 30 June 2007	As at 31 December 2006
Accounts receivable	**5,512,105**	6,232,275
Notes receivable	**1,595,652**	1,133,981
	7,107,757	7,366,256
Less: provision for doubtful accounts	**(50,573)**	(50,573)
	7,057,184	7,315,683

The Company and its subsidiaries usually grant about one month's credit period to local power grid customers from the end of the month in which the sales are made.

The aging analysis of accounts receivable was as follows:

	As at 30 June 2007	As at 31 December 2006
Within 1 year	**6,867,578**	7,054,280
Between 1 to 2 years	**42,439**	114,121
Between 2 to 3 years	**—**	51,554
Over 3 years*	**197,740**	146,301
	7,107,757	7,366,256

* During 2006, HIPDC has provided guarantee to the account receivable of the Company and its subsidiaries of approximately RMB140 million based on the Company's equity shares. This account receivable existed when the Company acquired Huaneng Hunan Yueyang Power Generation Limited Liability Company ("Yueyang Power Company") from HIPDC in 2004. The Company received the guarantee payment from HIPDC as at 31 December 2006.

6. DIVIDENDS

On 22 May 2007, after approval from the annual general meeting of the shareholders, the Company declared cash dividend of RMB0.28 per ordinary share, totaling approximately RMB3,376 million. For the six months ended 30 June 2007, the Company has already paid dividend of approximately RMB3,281 million (for the six months ended 30 June 2006: approximately RMB2,923 million).

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

7. LONG-TERM LOANS

	As at 30 June 2007			As at 31 December 2006		
	Original currency (in thousand)	Annual interest rate	Amount	Original currency (in thousand)	Annual interest rate	Amount
Loans from Huaneng Group						
Unsecured						
RMB						
– Fixed rate	2,800,000	4.32% - 5.02%	2,800,000	2,800,000	4.05% - 5.02%	2,800,000
Bank loans						
Secured						
RMB						
– Fixed rate	—	—	—	60,000	5.18% - 6.16%	60,000
Unsecured						
RMB						
– Fixed rate	26,195,590	3.60%-6.48%	26,195,590	30,035,770	3.60% - 6.84%	30,035,770
US DOLLAR (US$)						
– Fixed rate	465,589	5.95%-6.97%	3,545,695	513,549	5.95% - 6.97%	4,010,150
– Variable rate	50,619	5.41%-5.49%	385,485	53,782	4.13% - 5.49%	419,969
EURO						
– Fixed rate	65,389	2%	669,175	66,268	2%	680,344
			30,795,945			35,146,233
			30,795,945			35,206,233
Other loans						
Secured						
RMB						
– Fixed rate	130,000	5.83%	130,000	130,000	5.27%	130,000
Unsecured						
RMB						
– Fixed rate	—	—	—	123,625	4.94% -6.12%	123,625
US$						
– Variable rate	11,429	5.79%-5.80%	87,035	12,857	5.80%	100,398
JAPANESE YEN						
– Variable rate	952,381	5.80%	58,880	1,071,429	5.80%	70,318
			145,915			294,341
			275,915			424,341

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

7. LONG-TERM LOANS *(Cont'd)*

As at 30 June 2007, secured other long-term loan of RMB130 million (31 December 2006: RMB130 million) of the Company is secured by tariff collection right.

The maturity of long-term loans is as follows:

	Loans from Huaneng Group		Bank loans		Other loans	
	As at 30 June 2007	As at 31 December 2006	**As at 30 June 2007**	As at 31 December 2006	**As at 30 June 2007**	As at 31 December 2006
1 year or less	**—**	—	**2,777,201**	3,140,393	**166,479**	191,562
More than 1 year but not more than 2 years	**—**	—	**5,995,874**	3,956,803	**36,479**	98,259
More than 2 years but not more than 3 years	**—**	—	**9,679,517**	9,687,803	**36,479**	78,259
More than 3 years but not more than 4 years	**—**	—	**3,122,238**	3,849,141	**36,478**	38,259
More than 4 years but not more than 5 years	**—**	—	**2,909,853**	3,405,639	**—**	18,002
More than 5 years	**2,800,000**	2,800,000	**6,311,262**	11,166,454	**—**	—
	2,800,000	2,800,000	**30,795,945**	35,206,233	**275,915**	424,341
Less: amount due within 1 year included under current liabilities	**—**	—	**(2,777,201)**	(3,140,393)	**(166,479)**	(191,562)
	2,800,000	2,800,000	**28,018,744**	32,065,840	**109,436**	232,779

(Amounts expressed in thousands of RMB unless otherwise stated)

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities comprised:

	As at 30 June 2007	As at 31 December 2006
Accounts and notes payable	**2,048,428**	2,037,447
Other payables and accrued liabilities	**6,308,710**	6,184,340
	8,357,138	8,221,787

The aging analysis of accounts and notes payable (including amounts due to other related parties of trading in nature) was as follows:

	As at 30 June 2007	As at 31 December 2006
Accounts and notes payable		
within 1 year	**2,045,291**	2,028,121
between 1 to 2 years	**1,625**	6,170
over 2 years	**1,512**	3,156
Subtotal	**2,048,428**	2,037,447
Amounts due to other related parties of trading in nature		
within 1 year	**98,719**	38,336
between 1 to 2 years	**918**	—
over 2 years	**108**	108
Subtotal	**99,745**	38,444
Total	**2,148,173**	2,075,891

9. SHORT-TERM BONDS

The Company and its subsidiaries have repaid, in May 2007 and June 2007 respectively, unsecured short-term bonds of RMB500 million and RMB4,500 million, which bear coupon rates of 3.12% and 3.35% per annum at par. Effective interest rates on these bonds are 3.53% and 3.77% per annum, respectively.

10. SHORT-TERM LOANS

Other than those discounted notes receivables described below, short-term loans are denominated in RMB, unsecured and bear interest from 4.35% to 5.91% per annum for the six months ended 30 June 2007 (for the six months ended 30 June 2006: 4.30% to 5.51% per annum).

As at 30 June 2007, notes receivables of approximately RMB659 million (31 December 2006: RMB338 million) are discounted and recorded as collateralized short-term loans.

11. ADDITIONAL FINANCIAL INFORMATION ON UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2007, the net current liabilities of the Company and its subsidiaries amounted to approximately RMB15,802 million (31 December 2006: approximately RMB13,278 million). On the same date, the total assets less current liabilities of the Company and its subsidiaries were approximately RMB79,926 million (31 December 2006: approximately RMB87,096 million).

12. GAIN ON DISPOSALS OF INVESTMENTS

During the current period, the gain on disposals of investments represented disposal of certain available-for-sale investment and deemed disposal of Huaneng Sichuan Hydropower Co., Ltd. ("Sichuan Hydropower") with equity interest held by the Company decreased from 60% to 49% upon the additional capital injection from Huaneng Group to Sichuan Hydropower in January 2007, which amounted to approximately RMB527 million and RMB18 million respectively.

From January 2007 onward, Sichuan Hydropower became an associate of the Company, and was accounted for using equity method instead of a full scope of consolidation.

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

13. PROFIT BEFORE INCOME TAX

Profit before income tax was determined after charging and (crediting) the following:

	For the six months ended 30 June	
	2007	2006
Interest expense on		
– loans	**1,148,656**	1,088,705
– short-term bonds	**79,261**	56,507
Total interest expense on borrowings	**1,227,917**	1,145,212
Less: amounts capitalized in property, plant and equipment	**(255,646)**	(419,087)
Interest expense charged in income statement	**972,271**	726,125
Depreciation on property, plant and equipment	**3,569,140**	3,261,549
Loss/(Gain) on disposals of property, plant and equipment, net	**13,101**	(695)
Amortization on land use rights	**23,386**	18,484
Amortization on other non-current assets	**27,121**	27,830
Write off of excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**—**	(24,758)
Fair value changes of financial assets at fair value through profit or loss	**(86,832)**	(37,687)
Provision for/(Reversal of) provision for doubtful debts	**1,309**	(1,494)
Bad debts recovery	**(1,512)**	(34,936)

14. INCOME TAX EXPENSE

No Hong Kong profits tax was provided for the six months ended 30 June 2007 (for the six months ended 30 June 2006: nil) as the Company and its subsidiaries had no estimated assessable profit arising in or deriving from Hong Kong.

PRC income tax has been provided on the estimated assessable profit for the period at their prevailing rates of taxation. Certain of the power plants, being located in specially designated regions or cities, are subject to preferential income tax rates. In addition, certain power plants 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.

For the six months ended 30 June 2007, the weighted average effective tax rate applicable to the Company and its subsidiaries is approximately 15.5% (for the six months ended 30 June 2006: approximately 16.8%).

In March 2007, the PRC government promulgated the Corporate Income Tax Law which will be effective from 1 January 2008. According to the Corporate Income Tax Law, both domestic and foreign invested enterprise will be subject to a single income tax rate of 25%. The existing Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (the "FIE and FE tax laws") and Provisional Regulations of the People's Republic of China on Enterprise Income Tax (collectively referred to as the "existing tax laws") will be abolished simultaneously. Currently, the power plants of the Company and its subsidiaries applied the tax rates under the existing tax laws. The Corporate Income Tax Law has provided a 5-year transitional period for those entities that applied FIE and FE tax laws in previous years. The Corporate Income Tax Law has an impact on the deferred income tax assets and liabilities of the Company and its subsidiaries. As there is still no detailed implementations rulings released, the Company and its subsidiaries adjusted deferred income tax balances as at 30 June 2007 based on their best estimates and will continue to assess the impact of such new law in the future.

15. EARNINGS PER SHARE

The calculation of basic earnings per share is done based on the profit attributable to the equity holders of the Company of approximately RMB2,875 million (for the six months ended 30 June 2006: approximately RMB2,167 million) and the weighted average number of approximately 12,055 million (for the six months ended 30 June 2006: approximately 12,055 million) outstanding ordinary shares during the period.

There was no dilutive effect on earnings per share since the Company had no dilutive potential ordinary shares for the six months ended 30 June 2007 and 2006.

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

16. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

Cash flows used in investing and provided by financing activities included the following:

	For the six months ended 30 June	
	2007	2006
Investing activities:		
Cash dividend received	**306,687**	132,220
Prepayments of land use rights	**(5,113)**	(113)
Purchase of property, plant and equipment	**(6,671,499)**	(7,547,659)
Capital injections in associates	**—**	(168,652)
Cash consideration paid for additional acquisition	**(65,750)**	—
Purchase of financial assets at fair value through profit or loss	**(370,189)**	—
Cash paid for acquiring available-for-sale investment	**(333,858)**	—
Proceeds from trading of available-for-sale investment	**603,411**	—
Cash outflow upon deemed disposal of Sichuan Hydropower	**(322,176)**	—
Others	**8,154**	5,941
Net cash used in investing activities	**(6,850,333)**	(7,578,263)
Financing activities:		
Drawdown of:		
– short-term loans	**12,545,260**	8,277,670
– long-term bank loans	**4,150,000**	3,865,070
Repayments of:		
– short-term loans	**(3,799,000)**	(5,804,149)
– long-term bank loans	**(1,729,825)**	(1,252,778)
– other long-term loans	**(62,442)**	(262,257)
Dividends paid	**(3,509,052)**	(3,142,929)
Net capital injection from minority shareholders of the subsidiaries	**—**	189,882
Issuance of short-term bonds	**—**	5,000,000
Repayments of short-term bonds	**(5,000,000)**	(4,862,200)
Bonds issuance expense paid	**—**	(20,000)
Net cash provided by financing activities	**2,594,941**	1,988,309

17. RELATED PARTY TRANSACTIONS

The related parties of the Company and its subsidiaries that had transactions with the Company and its subsidiaries are as follows:

Name of related parties	Nature of relationship
Huaneng Group	Ultimate parent company
HIPDC	Parent company
Hebei Huaneng Jingyuan Coal Company Limited ("Huaneng Jingyuan")	A subsidiary of Huaneng Group
China Huaneng International Trade Economics Corporation ("CHITEC")	A subsidiary of Huaneng Group
Huaneng Xinrui Controlled Technology Co., Ltd. ("Huaneng Xinrui")	A subsidiary of Huaneng Group
Xi'an Thermal Power Research Institute Co., Ltd. ("Xi'an Thermal") and its subsidiaries	Subsidiaries of Huaneng Group
Huaneng Energy & Communications Holdings Co., Ltd. ("HEC") and its subsidiaries	Subsidiaries of Huaneng Group
Huaneng Capital Service Co., Ltd. ("Huaneng Capital Service")	A subsidiary of Huaneng Group
Greatwall Securities Co., Ltd. ("Greatwall Securities")	A subsidiary of Huaneng Group
Shandong Rizhao Power Company Ltd. ("Rizhao Power Company")	An associate of the Company
China Huaneng Finance Co., Ltd. ("Huaneng Finance")	An associate of the Company
Chongqing Huaneng Shifen Company Limited ("Shifen Company")	An associate of a subsidiary
State-owned enterprises*	Related parties of the Company

* Huaneng Group is a state-owned enterprise. In accordance with the revised IAS 24, "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than entities under Huaneng Group, directly or indirectly controlled by the PRC government are also considered as related parties of the Company and its subsidiaries.

The majority of the business activities of the Company and its subsidiaries are conducted with state-owned enterprises. For the purpose of the related party transactions disclosure, the Company and its subsidiaries have established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, management believes that all material related party transactions have been adequately disclosed.

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS *(Cont'd)*

In addition to the related party information shown elsewhere in the unaudited condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Company and its subsidiaries and their related parties during the period.

(a) Related Party Transactions

	For the six months ended 30 June	
	2007	2006
Huaneng Group		
Management service fee income	**23,112**	16,080
Interest expense on long-term loans	**(68,814)**	(71,489)
Acquisition of equity interest in Huaneng Finance	**—**	(126,000)
Acquisition of 5% additional equity interest in Henan Huaneng Qinbei Power Limited Company ("Qinbei Power Company")	**(65,750)**	—
HIPDC		
Management service fee income	**2,371**	1,920
Service fees expenses on transmission and transformer facilities	**(70,386)**	(70,386)
Rental charge on land use rights of Huaneng Nanjing Power Plant	**(667)**	(667)
Rental charge on office building	**(13,000)**	(13,000)
Huaneng Finance		
Discounting of notes receivable	**260,317**	—
Discounting charges	**(2,808)**	—
Drawdown of short-term loans	**660,000**	1,620,000
Issuance of short-term bonds	**—**	900,000
Interest expense on short-term and long-term loans	**(63,153)**	(57,961)
Huaneng Capital Service		
Issuance of short-term bonds	**—**	250,000
Greatwall Securities		
Issuance of short-term bonds	**—**	300,000
HEC and its subsidiaries		
Purchase of coal from HEC and its subsidiaries and service fee paid for transportation	**(899,015)**	(336,161)
Purchase of equipment from HEC and its subsidiaries	**(143,018)**	—
CHITEC*		
Purchase of coal from CHITEC	**—**	(103,866)
Purchase of equipment from CHITEC	**—**	(17,776)
Huaneng Jingyuan*		
Purchase of coal from Huaneng Jingyuan	**—**	(49,159)
Shifen Company		
Purchase of lime from Shifen Company	**(31,914)**	(22,555)

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS *(Cont'd)*

(a) Related Party Transactions *(Cont'd)*

	For the six months ended 30 June	
	2007	2006
Huaneng Xinrui*		
Technical services and industry-specific technological project contracting services obtained from Huaneng Xinrui	—	(2,241)
Xi'an Thermal and its subsidiaries		
Technical services and industry-specific technological project contracting services obtained from Xi'an Thermal and its subsidiaries	**(94,535)**	(13,308)

* In 2007, as CHITEC (including Huaneng Jingyuan, a subsidiary of CHITEC) and Huaneng Xinrui merged with HEC and Xi'an Thermal and became subsidiaries of HEC and Xi'an Thermal, respectively, the transactions with the entities above are presented under "HEC and its subsidiaries" and "Xi'an Thermal and its subsidiaries" respectively.

	For the six months ended 30 June	
	2007	2006
	RMB million	RMB million
State-owned enterprises		
Sales of electricity	**23,132**	19,990
Purchases of fuel	**(8,358)**	(6,205)
Acquisition of property, plant and equipment	**(2,235)**	(2,889)
Purchases of materials and supplies	**(61)**	(52)
Subcontracting labor for		
– construction and renovation	**(915)**	(1,918)
– maintenance	**(38)**	(45)
Dividend income	**40**	28
Warrants granted	—	38
Issuance of short-term bonds	—	3,550
Drawdown of short-term loans	**9,474**	5,637
Drawdown of long-term loans	**4,150**	3,425
Interest expense on loans and bonds to banks and other financial institutions	**(785)**	(788)

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

17. RELATED PARTY TRANSACTIONS *(Cont'd)*

(b) Guarantees

	As at 30 June 2007	As at 31 December 2006
(i) Short-term loan guaranteed by a state-owned enterprise	**2,000,000**	1,000,000
(ii) Long-term loans guaranteed by		
– Huaneng Group	**2,346,129**	6,249,089
– HIPDC	**2,377,665**	2,693,280
– State-owned enterprises	**100,000**	353,250
(iii) Long-term bank loans of Rizhao Power Company guaranteed by the Company	**(110,500)**	(123,250)
(iv) Purchase settlements guaranteed by a state-owned bank	**—**	80,000

(c) Key management personnel compensation

	For the six months ended 30 June 2007	2006
Salaries and other short-term employee benefits	**3,669**	3,834
Post-employment benefits	**743**	595
Total	**4,412**	4,429

For the six months ended 30 June 2007
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

18. CAPITAL AND OTHER COMMITMENTS

(a) Capital Commitments

	As at 30 June 2007	As at 31 December 2006
Contracted but not provided for	**10,114,894**	14,558,971
Authorized but not contracted for	**544,934**	2,166,046
Total	**10,659,828**	16,725,017

(b) Other Commitments

From 2004 to 2006, the Company entered into various long-term agreements with coal suppliers for the purchase of coal used for power generation from the years 2005 to 2009. These agreements are subject to termination only under certain limited circumstances. In most cases, these agreements contain provisions for price escalations and minimum purchase level clauses. Purchases for the six months ended 30 June 2007 and 30 June 2006 were approximately RMB3,979 million and RMB2,856 million, respectively. The future purchase commitments under the above agreements are as follows:

	As at 30 June 2007	As at 31 December 2006
2007	**5,477,843**	9,457,131
2008	**5,512,180**	5,512,180
2009	**5,512,180**	5,512,180
	16,502,203	20,481,491

19. FINANCIAL GUARANTEES

	As at 30 June 2007	As at 31 December 2006
Financial guarantees granted to an associate	**110,500**	123,250

20. SUBSEQUENT EVENT

The Company and its subsidiaries issued RMB5 billion of unsecured short-term bonds bearing coupon rates of 3.84% per annum on 9 August 2007. These bonds are denominated in RMB and will mature in 364 days from their issue date at their nominal values. The effective interest rate of these bonds is approximately 4.26% per annum.

Supplemental Information for North American Shareholders (unaudited)

(Amounts expressed in thousands of RMB unless otherwise stated)

The unaudited condensed consolidated interim financial information of the Company and its subsidiaries prepared under IFRS differ in certain respects from those prepared under generally accepted accounting principles in the United States of America ("US GAAP"). Significant differences between IFRS and US GAAP, which affect the equity and net profit of the Company and its subsidiaries, are summarized below:

(a) Effect of Acquisitions of Entities under Common Control

Huaneng Group is the controlling parent company of HIPDC, which in turn is the controlling parent of the Company.

Under IFRS, the Company and its subsidiaries adopted the acquisition method to account for the acquisitions of the followings from Huaneng Group and HIPDC:

(i) 70% equity interest in Huaneng Shanghai Shidongkou I Power Plant ("Shidongkou I Power Plant"), 70% equity interest in Huaneng (Suzhou Industrial Park) Power Generation Co. Ltd. ("Taicang Power Company") and all of the assets and liabilities of Huaneng Changxing Power Plant ("Changxing Power Plant"), from Huaneng Group in July 2002;

(ii) 55% equity interest in Qinbei Power Company, 60% equity interest in Huaneng Yushe Power Generation Co., Ltd. ("Yushe Power Company") and all of the assets and liabilities of Huaneng Xindian Power Plant ("Xindian Power Plant") from Huaneng Group in October 2003;

(iii) 60% equity interest in Huaneng Chongqing Luohuang Power Generation Limited Liability Company ("Luohuang Power Company"), 55% equity interest in Yueyang Power Company, 90% equity interest in Huaneng Jinggangshan Power Plant ("Jinggangshan Power Plant") and all of the assets and liabilities of Huaneng Yingkou Power Plant ("Yingkou Power Plant") from HIPDC and from Huaneng Group in July 2004; and

(iv) 60% equity interest in Sichuan Hydropower and 65% equity interest in Huaneng Pingliang Power Generation Co., Ltd. ("Pingliang Power Company") from Huaneng Group in January 2005.

Under the acquisition method, the results of the acquired businesses are included in the results of operations of the Company and its subsidiaries from the date of the acquisition. The difference between the purchase consideration and the fair value of the underlying net assets acquired is accounted for as goodwill. Goodwill arising from all the acquisitions above is not amortized but is tested annually for impairment and carried at cost less accumulated impairment losses.

As the companies and power plants acquired were under the control of Huaneng Group prior to their acquisitions by the Company and its subsidiaries, these acquisition transactions were considered common control transactions. Under US GAAP, they are considered to be transfers of businesses under common control and the acquired assets and liabilities are accounted for at historical cost in a manner similar to the pooling of interests method. Accordingly, the consolidated financial statements for all periods presented have been retroactively restated as if the current structure and operations resulting from the acquisitions had been in existence since the beginning of the earliest period presented, with financial data of previously separate entities combined. The cash consideration paid by the Company is treated as equity transactions in the years of the acquisitions for US GAAP reporting purposes. Accordingly, the resulting impact of depreciation and amortization expenses on income under IFRS and US GAAP is also different.

(Amounts expressed in thousands of RMB unless otherwise stated)

(b) Effect of Acquisitions of 44.16% Equity Interest in Huaneng Huaiyin Power Generation Co. Ltd. ("Huaiyin Power Company"), 30% Additional Equity Interest in Shidongkou I Power Plant and 5% Additional Equity Interest in Taicang Power Company, 40% Equity Interest in Hebei Hanfeng Power Generation Limited Liability Company ("Hanfeng Power Company"), 20% Equity Interest in Huaneng Finance and 5% Additional Equity Interest in Qinbei Power Company

The Company has made the following acquisitions from Huaneng Group:

(i) 44.16% equity interest in Huaiyin Power Company in July 2002;

(ii) 30% additional equity interest in Shidongkou I Power Plant and 5% additional equity interest in Taicang Power Company in December 2002;

(iii) 40% equity interest in Hanfeng Power Company in July 2004;

(iv) 20% equity interest in Huaneng Finance in January 2006; and

(v) 5% additional equity interest in Qinbei Power Company in January 2007.

Under IFRS, upon the completion of the above acquisitions, the relevant equity interests of the net assets of the acquired companies and power plants are recorded at fair value on initial acquisition dates. The excess of the total cost of the acquisition over the fair value of the relevant portion of net assets of power plants acquired is accounted for as goodwill. Goodwill arising from these acquisitions is not amortized and is tested annually for impairment and carried at cost less accumulated impairment losses. Any excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost were written off against income statement.

Under US GAAP, upon completion of the above acquisitions, Huaneng Group's proportionate shares in the net assets of Huaiyin Power Company, Shidongkou I Power Plant, Taicang Power Company, Hanfeng Power Company, Huaneng Finance and Qinbei Power Company being sold to the Company were recorded at the historical carrying value. Differences between the total costs of acquisitions and the net assets acquired were regarded as equity transactions with Huaneng Group. Accordingly, the resulting impact of depreciation and amortization expenses on income under IFRS and US GAAP is also different.

(Amounts expressed in thousands of RMB unless otherwise stated)

(c) Housing Benefits Provided by HIPDC

HIPDC sold to certain qualified employees of the Company living quarters owned by HIPDC at preferential prices. The difference between the cost of living quarters and the sales proceeds received from the employees is considered to be housing benefits provided to the employees. Under IFRS, such housing benefits provided by HIPDC are not reflected in the financial statements of the Company. Under US GAAP, the amount of housing benefits provided by HIPDC to the employees of the Company are recognized as the operating expenses of the Company on a straight-line basis over the estimated remaining average service life of the employees. The corresponding amount is recorded as additional capital contribution from HIPDC.

(d) Acquisition of Shandong Huaneng Power Development Company Limited ("Shandong Huaneng")

Huaneng Group was one of the substantial shareholders of Shandong Huaneng, holding 33.09% equity interest in it before the Company's acquisition of Shandong Huaneng. Under IFRS, upon the completion of the acquisition of Shandong Huaneng, the entire net assets of Shandong Huaneng were recorded at fair value. Prior to 2005, the excess of the fair value of the entire net assets acquired over the total cost of the acquisition was recorded as negative goodwill. On 1 January 2005, the ending balance of negative goodwill brought forward from 2004 was offset against opening retained earnings according to IFRS 3. Under US GAAP, upon completion of the acquisition of Shandong Huaneng, Huaneng Group's proportionate share of 33.09% in the net assets of Shandong Huaneng that was sold to the Company was recorded at the historical carrying value. The excess of the proportionate share in the book value of the net assets acquired over the relevant portion of the cash consideration was recorded as a capital contribution to the Company. The book value of the remaining 66.91% of the net assets continues to be part of the recoverable rate base under the cost recovery formula of the tariff setting mechanism. Under US GAAP, the difference between these net asset values and the cash consideration was recorded as a reduction to the property, plant and equipment of the respective power plants.

As the amount of negative goodwill originally recognized under IFRS is different from the amount of the reduction to property, plant and equipment under US GAAP due to the 33.09% portion of the net assets previously owned by Huaneng Group described above and that the negative goodwill under IFRS was offset against opening retained earnings in 2005 whereas, for US GAAP purposes, it was a reduction to the value of the property, plant and equipment described above, being depreciated over the respective assets' useful life, the net profit under IFRS and US GAAP is different.

(Amounts expressed in thousands of RMB unless otherwise stated)

(e) Capitalization of Borrowing Costs

In accordance with IAS 23, the Company and its subsidiaries capitalized borrowing costs on general borrowings used for the purpose of obtaining a qualifying asset in addition to the capitalization of borrowing cost on specific borrowings.

Under US regulatory accounting requirements, before 2007, interest on funds borrowed generally and used for the purpose of obtaining qualifying assets are not capitalized if such interests cannot be taken into consideration when determining the recoverable rate base for tariff setting purposes. Consequently, under US GAAP, the Company did not capitalize interest on general borrowings used to obtaining regulatory assets. An adjustment is made to reverse the capitalized interest on general borrowings net of the related depreciation on property, plant and equipment.

(f) Reversal of Goodwill Amortization

In accordance with IFRS 3, goodwill arising from acquisitions for which the agreement date was before 31 March 2004 is amortized using the straight-line method over its estimated useful life and recognized in the income statement as other operating expenses and subject to an impairment review whenever events or changes in circumstances indicate their carrying value may not be recoverable, and annually if the estimated useful life exceeds 20 years. Under US GAAP, in accordance with Statement of Financial Accounting Standard 142 "Goodwill and Other Intangible Assets", goodwill arising from acquisition is not amortized but tested for impairment on an annual basis and between annual tests in certain circumstances.

There is no such GAAP difference from 1 January 2005 onwards.

(g) Deferred Income Tax Impact

This represents the deferred income tax effect on the above GAAP differences where applicable.

Adoption of New Accounting Policies

In the current period, the Company and its subsidiaries have adopted the new FASB Interpretation ("FIN") below, which are relevant to their operations.

- FIN 48 Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109

FIN 48 prescribes the recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. Management considered there was no significant impact from adopting FIN 48 on the financial statements of the Company and its subsidiaries.

(Amounts expressed in thousands of RMB unless otherwise stated)

Differences between IFRS and US GAAP which affect the net assets and net profit of the Company and its subsidiaries are summarized below:

		Net Assets	
	Note	As at 30 June 2007	As at 31 December 2006
Net assets under IFRS		**47,847,362**	50,608,692
Minority interests	i	**(4,617,299)**	(7,151,183)
Impact of US GAAP adjustments:			
Effect of acquisitions of Sichuan Hydropower and Pingliang Power Company	(a)	**(950,385)**	(969,244)
Effect of acquisitions of Luohuang Power Company, Yueyang Power Company, Jinggangshan Power Plant and Yingkou Power Plant	(a)	**(1,576,415)**	(1,679,633)
Effect of acquisitions of Qinbei Power Company, Yushe Power Company and Xindian Power Plant	(a)	**(300,990)**	(314,817)
Effect of acquisitions of Shidongkou I Power Plant, Taicang Power Company and Changxing Power Plant	(a)	**(324,801)**	(388,418)
Effect of acquisitions of 5% additional equity interest in Qinbei Power Company, 20% equity interest in Huaneng Finance, 40% equity interest in Hanfeng Power Company, 30% additional equity interest in Shidongkou I Power Plant, 5% additional equity interest in Taicang Power Company and 44.16% equity interest in Huaiyin Power Company	(b)	**(241,044)**	(237,197)
Recording of capital contribution arising from acquisition of Shandong Huaneng	(d)	**862,922**	862,922
Difference in accounting treatment for acquisition of Shandong Huaneng	(d)	**(1,429,568)**	(1,510,062)
Difference in capitalization of borrowing costs	(e)	**(95,875)**	(100,453)
Reversal of goodwill amortization			
– Investment in Shenzhen Energy Group Co. Ltd.	(f)	**136,599**	136,599
– Investment in Huaiyin Power Company	(f)	**34,740**	34,740
Applicable deferred income tax impact on the above GAAP differences	(g)	**858,976**	957,725
Others		**73,747**	—
Net assets under US GAAP		**40,277,969**	40,249,671

(Amounts expressed in thousands of RMB unless otherwise stated)

Differences between IFRS and US GAAP which affect the net assets and net profit of the Company and its subsidiaries are summarized below (Cont'd):

	Note	Net profit For the six months ended 30 June 2007	2006
Profit under IFRS		**3,057,518**	2,531,065
Profit attributable to minority interests	i	**(182,137)**	(364,187)
Impact of US GAAP adjustments:			
Effect of acquisitions of Sichuan Hydropower and Pingliang Power Company	(a)	**18,859**	21,841
Effect of acquisitions of Luohuang Power Company, Yueyang Power Company, Jinggangshan Power Plant and Yingkou Power Plant	(a)	**103,218**	78,614
Effect of acquisitions of Qinbei Power Company, Yushe Power Company and Xindian Power Plant	(a)	**13,827**	13,889
Effect of acquisitions of Shidongkou I Power Plant, Taicang Power Company and Changxing Power Plant	(a)	**63,617**	46,750
Effect of acquisitions of 20% equity interest in Huaneng Finance, 40% equity interest in Hanfeng Power Company, 30% additional equity interest in Shidongkou I Power Plant, 5% additional equity interest in Taicang Power Company and 44.16% equity interest in Huaiyin Power Company	(b)	**7,883**	(15,727)
Recording housing benefits provided by HIPDC	(c)	**(13,076)**	(13,076)
Difference in accounting treatment for acquisition of Shandong Huaneng	(d)	**80,494**	80,494
Difference in capitalization of borrowing costs	(e)	**4,578**	4,387
Applicable deferred income tax impact on the above GAAP differences	(g)	**(98,749)**	(41,399)
Others		**(17,864)**	(1,433)
Net profit under US GAAP		**3,038,168**	2,341,218

(Note i) Consistent with disclosure requirement of revised IAS 1 – Presentation of Financial Statements, minority interests in the unaudited consolidated net assets and unaudited consolidated profit under IFRS should be included as a portion of total equity and total profit attributable to shareholders respectively.

Balance Sheet (unaudited)

As at 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		Consolidated		The Company	
		30 June	31 December	30 June	31 December
ASSETS	Note	2007	2006	2007	2006
			(Restated)		(Restated)
CURRENT ASSETS					
Cash	7(1)	3,516,860,539	3,411,054,724	2,364,205,686	1,623,357,667
Held-for-trading financial assets		—	100,179,545	—	100,179,545
Notes receivable	7(2)	1,595,652,079	1,133,980,632	439,526,096	358,225,876
Accounts receivable	7(3), 8(1)	5,461,531,937	6,181,701,887	3,055,298,991	3,757,011,387
Advances to suppliers	7(4)	291,823,434	394,261,228	146,502,628	195,668,083
Interest receivable		2,795,384	1,552,631	2,795,384	1,552,631
Dividend receivable		—	12,842	442,014,382	—
Other receivables	7(3), 8(1)	293,508,620	206,037,788	187,730,620	226,431,421
Inventories	7(5)	2,765,560,779	2,133,534,601	1,641,161,728	1,246,903,789
Other current assets		15,836,403	2,200,341	670,183	137,319
Total current assets		13,943,569,175	13,564,516,219	8,279,905,698	7,509,467,718
NON-CURRENT ASSETS					
Available-for-sale financial assets	7(6)	2,594,485,215	1,458,758,700	2,594,485,215	1,458,758,700
Long-term equity investments	7(7),8(2)	6,419,231,362	5,177,040,904	14,094,425,871	14,680,259,555
Fixed assets	7(8)	66,223,745,851	75,096,255,786	34,578,418,282	35,644,252,152
Construction-in-progress	7(10)	10,817,061,550	8,627,649,714	9,541,981,929	5,002,103,726
Construction materials	7(9)	4,514,894,522	3,738,068,794	3,293,875,061	2,814,290,927
Intangible assets	7(11)	1,936,283,607	1,848,960,731	1,259,224,447	1,271,731,865
Goodwill	7(12)	140,442,015	144,341,787	1,528,308	1,528,308
Long-term deferred expenses		19,915,046	43,958,341	2,293,541	2,969,283
Deferred income tax assets	7(21)	113,029,742	173,464,942	58,891,953	58,267,494
Other non-current assets		—	68,943,706	—	—
Total non-current assets		92,779,088,910	96,377,443,405	65,425,124,607	60,934,162,010
TOTAL ASSETS		106,722,658,085	109,941,959,624	73,705,030,305	68,443,629,728

Balance Sheet (unaudited) (Cont'd)

As at 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		Consolidated		The Company	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	**30 June 2007**	31 December 2006	**30 June 2007**	31 December 2006
			(Restated)		(Restated)
CURRENT LIABILITIES					
Short-term loans	7(13)	**16,645,490,406**	8,161,909,780	**11,050,000,000**	3,422,750,000
Notes payable		**480,326,300**	751,507,699	**448,265,800**	542,494,600
Accounts payable	7(14)	**1,667,847,218**	1,276,992,234	**980,598,130**	765,329,899
Salary and welfare payables	7(15)	**433,237,752**	584,043,125	**304,157,489**	372,238,817
Taxes payables	7(16)	**770,577,390**	1,191,782,771	**465,964,765**	666,037,521
Interest payables		**136,477,280**	195,642,558	**64,999,539**	119,863,967
Dividends payable	7(17)	**312,809,700**	—	**94,770,660**	—
Other payables	7(18)	**4,889,041,866**	4,912,104,399	**3,287,464,461**	2,078,292,827
Current portion of non-current liabilities	7(20)	**2,943,679,921**	3,331,954,868	**1,000,591,188**	1,085,447,233
Provisions		**—**	4,416,482	**—**	—
Other current liabilities	7(19)	**262,739,406**	5,233,590,022	**151,626,489**	5,177,272,288
Total current liabilities		**28,542,227,239**	25,643,943,938	**17,848,438,521**	14,229,727,152
NON-CURRENT LIABILITIES					
Long-term loans	7(20)	**30,928,180,206**	35,098,618,746	**13,049,466,794**	11,182,454,295
Specific payables		**288,935,029**	203,480,035	**236,555,029**	157,600,035
Deferred income tax liabilities	7(21)	**436,440,022**	378,585,382	**432,804,626**	347,024,298
Other non-current liabilities		**68,892,226**	37,847,158	**68,892,226**	—
Total non-current liabilities		**31,722,447,483**	35,718,531,321	**13,787,718,675**	11,687,078,628
TOTAL LIABILITIES		**60,264,674,722**	61,362,475,259	**31,636,157,196**	25,916,805,780
SHAREHOLDERS' EQUITY					
Share capital	7(22)	**12,055,383,440**	12,055,383,440	**12,055,383,440**	12,055,383,440
Capital surplus	7(23)	**10,281,059,472**	9,929,681,615	**10,297,051,938**	9,929,681,615
Surplus reserves	7(24)	**5,470,468,342**	5,470,468,342	**5,470,468,342**	5,470,468,342
Undistributed profits	7(25)	**14,585,524,880**	15,024,443,205	**14,245,969,389**	15,071,290,551
Capital and reserves attributable to shareholders of the Company		**42,392,436,134**	42,479,976,602	**42,068,873,109**	42,526,823,948
Minority interests	7(26)	**4,065,547,229**	6,099,507,763	**—**	—
TOTAL SHAREHOLDERS' EQUITY		**46,457,983,363**	48,579,484,365	**42,068,873,109**	42,526,823,948
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**106,722,658,085**	109,941,959,624	**73,705,030,305**	68,443,629,728

The accompanying notes form an integral part of these financial statements.

Legal representative:	*Person in charge of accounting function:*	*Person in charge of accounting department:*
Li Xiaopeng	**Zhou Hui**	**Huang Lixin**

Profit and Loss Account (unaudited)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		For the six months ended 30 June			
		Consolidated		The Company	
	Note	2007	2006	2007	2006
			(Restated)		(Restated)
1. Revenue from operations	7(27), 8(3)	**23,199,792,184**	19,917,710,144	**14,812,306,151**	12,750,603,397
Less: Cost of operations	7(27), 8(3)	**(18,703,261,349)**	(15,667,982,211)	**(12,118,759,906)**	(10,457,258,895)
Tax and levies on operations	7(28)	**(69,894,814)**	(67,324,186)	**(6,351,292)**	(2,738,136)
General and administrative expenses		**(767,505,586)**	(644,056,502)	**(559,429,352)**	(469,838,726)
Financial expenses, net	7(29)	**(840,726,839)**	(831,621,680)	**(229,571,657)**	(268,206,772)
Assets impairment loss		**(6,682,339)**	(9,273,278)	**(8,312,619)**	(45,727,554)
Add: Gain or (loss) from changes in fair value	7(30)	**(100,179,545)**	37,686,591	**(100,179,545)**	37,686,591
Investment income	7(31), 8(4)	**1,062,538,924**	301,327,996	**1,061,335,111**	819,275,296
including: investment income from associates		**307,720,757**	283,894,108	**306,551,403**	283,351,338
2. Operating profit		**3,774,080,636**	3,036,466,874	**2,851,036,891**	2,363,795,201
Add: Non-operating income		**13,905,730**	13,639,947	**8,504,801**	10,462,198
Less: Non-operating expenses		**(15,396,831)**	(7,249,927)	**(17,061,127)**	(4,919,815)
including: loss from disposals of non-current assets		**(14,826,841)**	(726,567)	**(14,255,854)**	(496,309)
3. Profit before taxation		**3,772,589,535**	3,042,856,894	**2,842,480,565**	2,369,337,584
Less: Income tax	7(32)	**(638,367,458)**	(530,708,787)	**(292,294,364)**	(261,314,793)
4. Net profit		**3,134,222,077**	2,512,148,107	**2,550,186,201**	2,108,022,791
Attributable to:					
Shareholders of the Company		**2,936,589,038**	2,099,806,079	**2,550,186,201**	2,108,022,791
Minority interests		**197,633,039**	412,342,028	**—**	—
5. Earnings per share (based on the net profit attributable to shareholders of the Company)					
Basic	7(33)	**0.24**	0.17		
Diluted		**0.24**	0.17		

The accompanying notes form an integral part of these financial statements.

Legal representative:	*Person in charge of accounting function:*	*Person in charge of accounting department:*
Li Xiaopeng	**Zhou Hui**	**Huang Lixin**

Cash Flow Statement (unaudited)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		For the six months ended 30 June			
		Consolidated		The Company	
Items	Note	2007	2006	2007	2006
			(Restated)		(Restated)
1. Cash flows generated from operating activities					
Cash received from sales of goods and services rendered		**27,489,574,420**	23,693,006,600	**17,909,030,349**	15,691,923,463
Other cash received relating to operating activities		**76,004,622**	98,606,034	**365,625,309**	56,953,545
Sub-total of cash inflows		**27,565,579,042**	23,791,612,634	**18,274,655,658**	15,748,877,008
Cash paid for goods and services received		**(16,059,174,262)**	(12,018,345,371)	**(10,281,085,302)**	(8,262,220,563)
Cash paid to and on behalf of employees		**(1,553,440,000)**	(1,379,354,159)	**(1,066,101,925)**	(961,970,922)
Payments of all types of taxes		**(3,388,682,534)**	(3,194,265,654)	**(1,917,066,714)**	(1,789,326,563)
Other cash paid relating to operating activities	7(34)	**(974,564,346)**	(623,438,037)	**(751,995,189)**	(425,144,943)
Sub-total of cash outflows		**(21,975,861,142)**	(17,215,403,221)	**(14,016,249,130)**	(11,438,662,991)
Net cash flows generated from operating activities	7(34)	**5,589,717,900**	6,576,209,413	**4,258,406,528**	4,310,214,017
2. Cash flows generated from investing activities					
Cash received on disposals of investments		**603,945,511**	105,200	**603,411,052**	105,200
Cash received on investment income		**306,686,418**	132,233,666	**705,290,894**	308,540,716
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		**9,863,258**	6,170,010	**3,523,959**	2,743,777
Other cash received relating to investing activities		**92,129,151**	26,141,213	**82,919,143**	13,691,057
Sub-total of cash inflows		**1,012,624,338**	164,650,089	**1,395,145,048**	325,080,750
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**(6,751,723,741)**	(7,560,622,772)	**(4,730,578,956)**	(3,105,255,591)
Cash paid for investments		**(769,796,763)**	(168,651,510)	**(823,796,763)**	(417,911,510)
Net cash paid for disposals of a subsidiary		**(322,176,384)**	—	**—**	—
Sub-total of cash outflows		**(7,843,696,888)**	(7,729,274,282)	**(5,554,375,719)**	(3,523,167,101)
Net cash flows used in investing activities		**(6,831,072,550)**	(7,564,624,193)	**(4,159,230,671)**	(3,198,086,351)

Cash Flow Statement (unaudited) (Cont'd)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		For the six months ended 30 June			
		Consolidated		The Company	
Items	Note	2007	2006	2007	2006
			(Restated)		(Restated)
3. Cash flows generated from financing activities					
Cash received from investments		—	189,881,544	—	—
Including: cash received from minority shareholders' equity investments in subsidiaries		—	189,881,544	—	—
Cash received from borrowings		**16,695,260,406**	12,142,740,293	**12,358,000,000**	6,563,070,292
Other cash received relating to financing activities		**87,090,000**	5,005,852,458	**79,590,000**	5,001,632,458
Sub-total of cash inflows		**16,782,350,406**	17,338,474,295	**12,437,590,000**	11,564,702,750
Cash paid on repayments of borrowings		**(10,591,267,496)**	(12,181,384,185)	**(7,837,382,928)**	(8,973,893,829)
Cash paid for dividends, profit appropriation or interest expenses		**(4,850,659,184)**	(4,405,986,000)	**(3,964,319,299)**	(3,473,040,990)
Including: dividends paid to minority shareholders of subsidiaries		**(228,315,633)**	(220,033,053)	—	—
Sub-total of cash outflows		**(15,441,926,680)**	(16,587,370,185)	**(11,801,702,227)**	(12,446,934,819)
Net cash flows generated from/(used in) financing activities		**1,340,423,726**	751,104,110	**635,887,773**	(882,232,069)
4. Effect of foreign exchange rate changes on cash		**3,838,255**	910,838	**4,596,880**	1,711,379
5. Net increase/(decrease) in cash	7(34)	**102,907,331**	(236,399,832)	**739,660,510**	231,606,976
Add: Cash at beginning of the year		**3,207,191,539**	2,647,665,997	**1,433,164,646**	713,396,158
6. Cash at end of the period		**3,310,098,870**	2,411,266,165	**2,172,825,156**	945,003,134

The accompanying notes form an integral part of these financial statements.

Legal representative:	*Person in charge of accounting function:*	*Person in charge of accounting department:*
Li Xiaopeng	**Zhou Hui**	**Huang Lixin**

Consolidated Shareholders' Equity Movement (unaudited)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		Attributable to Shareholders of the Company					
Item	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Minority interests	Total shareholders' equity
Balance as at 31 December 2005		12,055,383,440	8,765,352,464	4,945,674,209	13,315,141,847	4,934,649,003	44,016,200,963
First-time adoption of Accounting Standards for Business Enterprises	13	—	636,963,692	(54,347,909)	(489,131,179)	36,134,126	129,618,730
Balance as at 1 January 2006, restated		12,055,383,440	9,402,316,156	4,891,326,300	12,826,010,668	4,970,783,129	44,145,819,693
For the six months ended 30 June 2006							
Net profit		—	—	—	2,099,806,079	412,342,028	2,512,148,107
Gains / (losses) directly recorded in shareholders' equity							
Loss from changes in fair value of available-for-sale investment		—	(10,451,700)	—	—	—	(10,451,700)
Other equity changes of investee companies accounted for under equity method		—	4,358,610	—	—	866,680	5,225,290
Income tax impact of items recorded in shareholders' equity		—	1,567,755	—	—	—	1,567,755
Others		—	23,540,873	—	—	—	23,540,873
Subtotal		—	19,015,538	—	2,099,806,079	413,208,708	2,532,030,325
Capital injection and withdraw by shareholders		—	—	—	—	189,882,975	189,882,975
Profit appropriation							
Dividends paid to shareholders	7(25)	—	—	—	(3,013,845,860)	(202,145,885)	(3,215,991,745)
Balance as at 30 June 2006		12,055,383,440	9,421,331,694	4,891,326,300	11,911,970,887	5,371,728,927	43,651,741,248

Consolidated Shareholders' Equity Movement (unaudited) (Cont'd)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		Attributable to Shareholders of the Company					
Item	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Minority interests	Total shareholders' equity
Balance as at 1 January 2007, restated	13	12,055,383,440	9,929,681,615	5,470,468,342	15,024,443,205	6,099,507,763	48,579,484,365
For the six months ended 30 June 2007							
Net profit		—	—	—	2,936,589,038	197,633,039	3,134,222,077
Gains directly recorded in shareholders' equity							
Gain from changes in fair value of available-for-sale investment		—	320,713,069	—	—	—	320,713,069
Other equity changes of investee companies accounted for under equity method		—	524,062	—	—	400,000	924,062
Income tax impact of items recorded in shareholders' equity		—	(48,106,959)	—	—	—	(48,106,959)
Others		—	78,247,685	—	—	—	78,247,685
Subtotal		—	351,377,857	—	2,936,589,038	198,033,039	3,485,999,934
Capital withdraw by shareholders		—	—	—	—	(1,785,638,900)	(1,785,638,900)
Profit appropriation							
Dividends paid to shareholders	7(25)	—	—	—	(3,375,507,363)	(446,354,673)	(3,821,862,036)
Balance as at 30 June 2007		12,055,383,440	10,281,059,472	5,470,468,342	14,585,524,880	4,065,547,229	46,457,983,363

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting function:	Person in charge of accounting department:
Li Xiaopeng	**Zhou Hui**	**Huang Lixin**

Shareholders' Equity Movement of the Company (unaudited)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance as at 31 December 2005		12,055,383,440	8,765,352,464	4,945,674,209	13,332,985,698	39,099,395,811
First-time adoption of Accounting Standards for Business Enterprises		—	636,963,692	(54,347,909)	(489,131,179)	93,484,604
Balance as at 1 January 2006, restated		12,055,383,440	9,402,316,156	4,891,326,300	12,843,854,519	39,192,880,415
For the six months ended 30 June 2006						
Net profit		—	—	—	2,108,022,791	2,108,022,791
Gains / (losses) directly recorded in shareholders' equity						
Gain from changes in fair value of available-for-sale investment		—	(10,451,700)	—	—	(10,451,700)
Other equity changes of investee companies accounted for under equity method		—	4,358,610	—	—	4,358,610
Income tax impact of items recorded in shareholders' equity		—	1,567,755	—	—	1,567,755
Others		—	23,540,873	—	—	23,540,873
Subtotal		—	19,015,538	—	2,108,022,791	2,127,038,329
Profit appropriation						
Dividends paid to shareholders		—	—	—	(3,013,845,860)	(3,013,845,860)
Balance as at 30 June 2006		12,055,383,440	9,421,331,694	4,891,326,300	11,938,031,450	38,306,072,884

Shareholders' Equity Movement of the Company (unaudited) (Cont'd)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance as at 1 January 2007, restated	13	12,055,383,440	9,929,681,615	5,470,468,342	15,071,290,551	42,526,823,948
For the six months ended 30 June 2007						
Net profit		—	—	—	2,550,186,201	2,550,186,201
Gains / (losses) directly recorded in shareholders' equity						
Gain from changes in fair value of available-for-sale investment		—	320,713,069	—	—	320,713,069
Other equity changes of investee companies accounted for under equity method		—	(75,938)	—	—	(75,938)
Income tax impact of items recorded in shareholders' equity		—	(48,106,960)	—	—	(48,106,960)
Others		—	94,840,152	—	—	94,840,152
Subtotal		—	367,370,323	—	2,550,186,201	2,917,556,524
Profit appropriation						
Dividends paid to shareholders		—	—	—	(3,375,507,363)	(3,375,507,363)
Balance as at 30 June 2007		12,055,383,440	10,297,051,938	5,470,468,342	14,245,969,389	42,068,873,109

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting function:	Person in charge of accounting department:
Li Xiaopeng	**Zhou Hui**	**Huang Lixin**

Notes to the Financial Statements (unaudited)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

1. COMPANY BACKGROUND

Huaneng Power International, Inc. (hereinafter referred to as the "Company") was incorporated in the People's Republic of China (the "PRC") as a Sino-foreign joint stock company on 30 June 1994. The legal address of the Company is West wing, Building C Tianyin Mansion, 2C Fuxingmennan Street, Xicheng District, Beijing, PRC.

The Company and its subsidiaries are principally engaged in the generation and sale of electric power to ultimate consumers through the respective provincial or regional grid companies.

Five of the power plants had already been in commercial operations at time of incorporation of the Company in 1994 (hereinafter collectively referred to as the "five original operating plants"). The five original operating plants were previously under Huaneng International Power Development Corporation ("HIPDC"), a Sino-foreign equity joint venture established in the PRC. In accordance with the reorganization agreement dated 30 June 1994, the Company acquired the assets, liabilities and businesses of the five original operating plants from HIPDC which in return received an equity interest in the Company (the "Reorganization"). After the Reorganization, the Company continues to construct or acquire other operating plants.

The Company's Overseas Listed Foreign Shares were listed on the New York Stock Exchange and the Stock Exchange of Hong Kong Limited on 6 October 1994 and 4 March 1998, respectively. The Company issued to the public its A share upon its listing on the Shanghai Stock Exchange on 6 December 2001.

The Company's ultimate parent company is China Huaneng Group ("Huaneng Group"). Huaneng Group is a state-owned enterprise registered in the PRC, please refer to Note 9(1) for details.

In January 2007, Huaneng Group made an additional capital contribution of RMB 615 million to Huaneng Sichuan Hydropower Co., Ltd. ("Sichuan Hydropower Company"), thereby increasing its direct equity interest in Sichuan Hydropower Company to 51% from 40% which reduced the Company's equity interest to 49% from 60%. Huaneng Group replaced the Company as the controlling shareholder of Sichuan Hydropower Company. Thus, the Company does not consolidate the financial statements of Sichuan Hydropower Company since 2007. In addition, the Company also acquired 5% additional equity interest in Henan Huaneng Qinbei Power Limited Company ("Qinbei Power Company") from Huaneng Group with a consideration of RMB 65.75 million in cash, thereby increased the Company's equity interest in Qinbei Power Company to 60%.

These financial statements were approved by the board of directors of the Company on 14 August 2007.

2. BASIS OF PREPARATION

The Company and its subsidiaries previously prepared financial statements in accordance with the Accounting Standards for Business Enterprises promulgated before 15 February 2006 and "Accounting Systems for Business Enterprises" promulgated on 29 December 2000 (hereinafter collectively referred to as the "Previous Accounting Standards and Accounting Systems"). The Company and its subsidiaries adopted the Accounting Standards for Business Enterprises promulgated by Ministry of Finance of the PRC on 15 February 2006 (hereinafter referred to as the "Accounting Standards for Business Enterprises") since 1 January 2007. The Company and its subsidiaries' financial statements for the six months ended 30 June 2007 are the first interim financial statements prepared in accordance with Accounting Standards for Business Enterprises.

When preparing the financial statements for the six months ended 30 June 2007, the comparative figures of 2006 were retrospectively adjusted in accordance with "Accounting Standards for Business Enterprises No. 38 – First time adoption of Accounting Standards for Business Enterprises", and restated in accordance with Accounting Standards for Business Enterprises. The retrospective adjustments mainly include:

(1) The unamortized investment differences arising from business combinations under common control were written off in full.

(2) The unamortized goodwill from business combinations under common control and the negative goodwill from business combination not under common control were written off in full.

(3) Financial assets at fair value through profit or Loss and available-for-sale financial assets were adjusted to their fair value.

(4) For the temporary differences between the carrying amount of the assets or liabilities and their tax bases as well as deductible losses or tax deductions that can be carried forward to the next years, deferred income tax assets or deferred income tax liabilities were recognized where the recognition criteria were met.

(5) For investments in associates, retrospective adjustments were made to the carrying amount of these investments as if Accounting Standards for Business Enterprises were also adopted by the associates.

The shareholders' equity as at 1 January 2006, 30 June 2006 and 31 December 2006, as well as the net profit for the six months ended 30 June 2006, and the net profit for the year ended 31 December 2006 under Previous Accounting Standards and Accounting Systems were reconciled to the equity or net profit under Accounting Standards for Business Enterprises. Please refer to Note 13 for details of the reconciliations.

3. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The consolidated financial statements of the Company and its subsidiaries and the financial statements of the Company for the six months ended 30 June 2007 are prepared in accordance with Accounting Standards for Business Enterprises, and present fairly and completely their financial position as at 30 June 2007 and financial performance and cash flows for the six months ended 30 June 2007.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Fiscal year

The fiscal year of the Company and its subsidiaries starts on 1 January and ends on 31 December.

(2) Reporting currency

The Company and its subsidiaries use the Renminbi ("RMB") as reporting currency.

(3) Basis of accounting and measurement bases

The Company and its subsidiaries apply accrual method as the basis of recognition, measurement and reporting. Financial statements elements are normally measured at historical cost by the Company and its subsidiaries. Replacement cost, net realizable value, present value or fair value is applied in measurement on the premise that the availability and reliably measurement can be secured.

(4) Foreign currency translation

Foreign currency transactions are translated into and recorded using RMB at the spot exchange rate on the transaction dates. On the balance sheet date, the foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange differences arising are recorded in the profit and loss account in the current period except for those attributable to foreign currency borrowings that have been specifically drawn for the acquisition or construction of qualifying assets eligible for capitalization, in which cases, the foreign exchange differences are capitalized accordingly.

(5) Cash and cash equivalents

For the purpose of the cash flow statement, cash refers to cash on hand and deposits held at call with banks while cash equivalents refers to short-term (usually within three months), highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(6) Financial assets

Financial assets are classified into financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments in initial recognition. The classification is based on the Company and its subsidiaries' intention and ability to hold the financial assets.

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

Financial assets at fair value through profit or loss include held-for-trading financial assets and financial assets designated upon initial recognition as at fair value through profit or loss.

(b) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including notes receivable, accounts receivable, interest receivable, dividend receivable and other receivables. The accounting policy of accounts receivable and other receivables refers to Note 4(7) Receivables.

(c) Available-for-sale financial assets

Available-for-sale financial assets include those non-derivative financial assets that are designated as available-for-sale in initial recognition and those not classified as financial assets at fair value through profit or loss, receivables and held-to-maturity investments. Available-for-sale financial assets that will be sold within 12 months since the balance sheet date are presented as other current assets on the balance sheet.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company and its subsidiaries have the positive intention and ability to hold to maturity. Held-to-maturity investments that will fall due within 12 months since the balance sheet date are presented as non-current assets due within one year on the balance sheet.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(6) Financial assets *(Cont'd)*

(e) Recognition and measurement

Financial assets are recognized initially on the balance sheet and measured at fair value when, and only when, the Company and its subsidiaries become a party to the contractual provisions of an instrument. When financial assets at fair value through profit or loss are acquired, the relevant transaction costs incurred are recorded in profit and loss account. The relevant transaction costs of other financial assets are included in their initial recognition. The Company and its subsidiaries derecognize financial assets when, and only when the contractual rights to the cash flows from the financial assets expire or substantially all the risks and rewards of ownership of the financial assets have been transferred to the acquirer.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value.

The changes in the fair value of financial assets at fair value through profit or loss are recorded as gain or loss from changes in fair value in the profit and loss account. Interests or cash dividends received when holding the assets are recorded as investment income. The difference between fair value and book value is recognized as investment income on disposal and the gain or loss from changes in fair value is adjusted at the meantime.

The gain or loss from the changes in the fair value of available-for-sale financial assets, other than impairment loss and exchange difference arising from monetary foreign currency financial assets, is recorded in shareholders' equity and transferred to the profit and loss account upon derecognition of such financial assets.

Receivables and held-to-maturity investments are measured under the effective interest method and presented at amortized cost.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(6) Financial assets *(Cont'd)*

(f) Impairment of financial assets

The Company and its subsidiaries assess the carrying value of financial assets at each balance sheet date except for the financial assets at fair value through profit and loss. If there is objective evidence that financial assets are impaired, the Company and its subsidiaries provide for the impairment loss.

In the case of a significant or prolonged decline in the fair value of available-for-sale financial assets, the cumulative loss due to decline in fair value that has previously been recorded in equity is removed from equity and recognized as impairment loss in the profit and loss account. The impairment loss recognized in the profit and loss account on available-for-sale equity instrument investments is reversed through the equity when the fair value subsequently recovers and the recover objectively relates to events occur after the recognition of the impairment.

When financial assets at amortized cost are impaired, the amount of the assets is reduced to present value of estimated future cash flows (excluding future credit losses that have not been incurred). The impaired amount is recognized as assets impairment loss in the profit and loss account. If there is objective evidence that the value of the financial assets is recovered and the recover objectively relates to events occur after the recognition of the impairment, the impairment loss recognized is reversed through the profit and loss account. For the impairment test of receivables, please refer to Note 4(7) for details.

Impairment loss recognized on equity instruments that are not quoted in an active market and whose fair value can not be reliably measured is not reversed when the value recovers subsequently.

(7) Receivables

Receivables include accounts receivable, notes receivable and other receivables. Receivables are recognized initially at fair value and presented by using the effective interest method at amortized cost less provision for doubtful accounts.

An impairment test is performed, and provision established, for individually significant receivable when there is objective evidence that the Company and its subsidiaries will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(8) Inventories

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

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

Provision for inventory obsolescence is made according to the difference by which cost of one single inventory item exceeds its net realizable value. For those inventories which are voluminous and low in unit prices, provision is made based on individual categories. The net realizable value is determined based on the estimated selling price less the estimated cost till the completion of production, the estimated selling expense and related taxation in the ordinary course of business.

The Company and its subsidiaries use perpetual inventory system.

(9) Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, equity investments in associates and long-term equity investments in entities where

i) the Company and its subsidiaries have no control, common control, nor significant influence,
ii) the investments are not quoted in an active market and
iii) the fair value of the investments can not be reliably measured.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(9) Long-term equity investments *(Cont'd)*

(a) Subsidiaries

Subsidiaries are entities over which the Company has the control, i.e. have the power to govern the financial and operating policies to obtain benefit from the investees' operation activities. The existence and effect of potential voting rights such as convertible notes and share options that are currently convertible or exercisable are considered when assessing whether the Company controls another entity. The investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. They are adjusted in accordance with the equity method and then consolidated when preparing the consolidated financial statements.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or income appropriation declared by the subsidiaries are recognized as investment income. Investment income is recognized to the extent of proportionate share of post-acquisition cumulative net profit. Any excess of income appropriation or cash dividends is regarded as recovery of investment cost.

If the Company purchases further interests of its subsidiaries from the minority shareholders, the Company treats such transaction in its consolidated financial statements as follows:

i) the difference between the fair value at the exchange date of the share of identifiable net assets purchased and the investment cost incurred is recognized as goodwill,

ii) the difference between the purchased share of identifiable net assets which are measured basing on the continuous measurement since the acquisition date (or combination date) and the investment cost incurred, other than the portion recognized as goodwill, is recorded in capital surplus and undistributed profits in order.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(9) Long-term equity investments *(Cont'd)*

(b) Associates

Associates are entities which the Company and its subsidiaries have significant influence over the financial and operating policies.

Investments in associates are initially recognized at actual cost, and are subsequently accounted for using the equity method of accounting. The excess of initial investment cost over the share of fair value at the investment date of identifiable net assets of the associates is subsumed in investment cost. The excess of the share of fair value at the investment date of identifiable net assets of the associates over initial investment cost is written off in the profit and loss account and the long-term equity investment cost is adjusted accordingly.

When applying the equity method, the Company and its subsidiaries make adjustments in the profit and loss account of the associates including the adjustments to measure the identifiable net assets of the associates at fair value on the investment date, to unify accounting policy and to unify accounting period. The shares of the Company and its subsidiaries in post-acquisition profits or losses of the associates are recognized in the profit and loss account as investment income. The Company and its subsidiaries recognize the net loss of the associates to the extent that the carrying value of their long-term investments and other long-term interests which, in substance, constitute net long-term investments in the associates are reduced to nil, unless the Company and its subsidiaries have the obligations to bear extra loss. For the changes in the equity of the associates other than those in the profit and loss account, the Company and its subsidiaries record their shares in the shareholders' equity and adjust the carrying amount of the long-term equity investments. The Company and its subsidiaries' share of cash dividends or income appropriation declared by the associates are recognized as reductions in the carry value of the investments. Unrealized gains or losses in transactions between the Company and its subsidiaries and their associates are eliminated to the extent of the interest of the Company and its subsidiaries in the associates. However, unrealized losses arising from the impairment of the transferred assets are not eliminated.

(c) Other long-term equity investments

Other Long-term equity investments where

i) the Company and its subsidiaries have no control, common control, nor significant influence,
ii) the investments are not quoted in an active market and
iii) the fair value of the investments can not be reliably measured

are accounted for using the cost method.

(All amounts are stated in RMB Yuan unless otherwise stated)

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(9) Long-term equity investments *(Cont'd)*

(d) Long-term equity investments impairment

When the recoverable amounts of investments in subsidiaries or associates become lower than their carrying amounts, the carrying amounts are reduced to recoverable amounts. Please refer to note 4(14) Assets impairment.

The difference between the carrying amount of the other long-term equity investments referred above and the present value of them based on discounted future cash flow of the similar investments with market return rate is recognized as impairment loss in the profit and loss account. Please refer to note 4(6)(f) Impairment of financial assets.

(10) Fixed assets and depreciation

Fixed assets are tangible assets that are used in power production or held for management purposes, which their useful lives are over one year and are of relatively high unit price. Purchased or newly constructed fixed assets are initially recognized at actual cost. The Company's fixed assets revaluated upon the Reorganization were initially recorded at their appraisal value approved by relevant stated-owned assets administration authorities.

Subsequent expenditures on fixed assets are capitalized if it is probable that future economic benefits associated will flow into the Company and its subsidiaries and the cost can be measured reliably. The replaced parts are derecognized. Other subsequent expenditures not qualified for capitalization are recognized in the profit and loss account as incurred.

Fixed assets are depreciated using the straight-line method based on cost less estimated residual values over their estimated useful lives. For those fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based on the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, estimated residual value rates and annual depreciation rates of the fixed assets are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	15-35 years	0%-11%	2.71%-6.67%
Electric utility plant in service	7-35 years	0%-11%	2.71%-14.29%
Transportation and transmission facilities	6-15 years	0%-11%	6.67%-16.67%
Others	4-18 years	0%-11%	5.39%-20.00%

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(10) Fixed assets and depreciation *(Cont'd)*

The expected useful lives, estimated residual values and depreciation method applied to assets are reviewed at each financial year-end and adjusted when necessary.

When fixed assets are disposed of or no future economic benefits are expected from their use or disposal, the fixed assets are derecognized. When fixed assets are sold, transferred, disposed of or damaged, gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the assets, adjusted by related taxes and expenses, and are included in the profit and loss account.

When the recoverable amount of fixed assets become lower than their carrying amount, the carrying amount is reduced to recoverable amount. Please refer to Note 4(14) Assets impairment.

(11) Construction-in-progress

Construction-in-progress is recorded at actual cost. Actual cost comprises construction expenditures, other expenditures necessary to prepare the assets for their intended use and those borrowing costs arising from borrowings for the purpose of preparing the assets for their intended use and eligible for capitalization. Construction-in-progress is transferred to the fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

When the recoverable amount of construction-in-progress becomes lower than its carrying amount, the carrying amount is reduced to recoverable amount. Please refer to Note 4(14) Assets impairment.

(12) Intangible assets and amortization

Intangible assets, including land use rights and softwares etc., are initially recognized at actual cost, except for land use rights granted from government and intangible assets acquired on the Reorganization. Land use rights granted from government are recorded at fair value. Where the fair value can not be reliably determined, land use rights are recorded at nominal amount. The Company's intangible assets revaluated upon the Reorganization were initially recorded at their appraisal value approved by relevant stated-owned assets administration authorities. The intangible assets referred above are amortized using the straight-line method over their useful lives.

When the recoverable amount of intangible assets becomes lower than their carrying amount, the carrying amount is reduced to recoverable amount. Please refer to Note 4(14) Assets impairment.

The expected useful lives and amortization method applied to intangible assets with definite useful lives are reviewed at each year-end and adjusted when necessary.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(13) Goodwill

Goodwill is the excess of investment cost or the cost of business combination not under common control over the Company and its subsidiaries' interest in the fair value of the identifiable net assets on the acquisition date. Goodwill arising from business combinations is presented separately on consolidated financial statements. Goodwill relating to associates is subsumed in the carrying amount of long-term equity investments.

Goodwill presented separately on consolidated financial statements is tested for impairment at least annually. In the impairment test, the carrying amount of goodwill is allocated to assets group or group of assets groups that are expected to benefit from the synergies of the business combination. The accounting policy of impairment of assets group or group of assets groups refers to Note 4(14) Assets impairment. Goodwill is presented at cost less impairment on financial statements on balance sheet.

(14) Assets impairment

Goodwill presented separately on consolidated financial statements and intangible assets without definite useful lives are tested for impairment at least annually regardless of whether there are indications of impairment. An impairment test is carried out for fixed assets, intangible assets and long-term equity investments if any indication that the assets may be impaired exists at each balance sheet date. If the result of the impairment test shows that the recoverable amount is lower than the carrying amount, the difference is provided as impairment loss and recorded in the profit and loss account. The recoverable amount is the higher of the asset's fair value less costs to sell and its present value of the future cash flows expected to be derived from the asset. Impairment is calculated and recognized at the individual asset level. The recoverable amount is calculated for the assets group to which the asset belongs where the recoverable amount for an individual asset cannot be identified. An assets group is the smallest identifiable group of assets that generates cash inflows that are largely independently.

The assets impairment referred above can not be reversed after recognition even if the amount is recovered subsequently.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(15) Borrowing costs

The borrowing costs incurred which are directly attributable to the acquisition or construction of assets which the acquisition and construction take a substantial period of time to get ready for its intended use, are capitalized and recorded in the costs of the assets when the assets disbursements and borrowing costs have already incurred and the acquisition or construction activities necessary to prepare the asset for its intended use have already begun. The capitalization of the borrowing costs is ceased when the qualifying asset under acquisition or construction is ready for the intended use, and the borrowing costs incurred afterward are expensed. If the acquisition or purchase of an asset is interrupted abnormally and if the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended till the acquisition or construction of the asset restarts. For specific borrowings funded for the acquisition or construction of an asset eligible for capitalization, the to-be-capitalized amount of interests is determined according to the actual costs incurred less any income earned from the unused borrowings as a deposit in the bank or as a temporary investment. For general borrowings funded for the acquisition or construction of an asset eligible for capitalization, the Company and its subsidiaries calculate and determine the to-be-capitalized amount of interests by multiplying the weighted average excess of accumulative asset disbursements over specific borrowings by the capitalization rate of the general borrowings. The capitalization rate is calculated and determined according to the weighted average interest rate of the general borrowing.

(16) Payables

Payables including accounts payable, notes payable and other payables are initially recognized at fair value and then measured using the effective interest method and presented at amortized cost.

(17) Loans

Loans are initially recognized at fair value less transaction costs and then measured using the effective interest method and presented at amortized cost. Loans fall due within 12 months since the balance sheet date (including 12 months) are presented as current liabilities.

(18) Employee benefits

Employee benefits include various compensations and other expenditures relating to the acceptance of services provided by employees.

The Company and its subsidiaries recognize employee benefits as liabilities in the accounting period when employees render their services. Such benefits are capitalized or expensed based on the nature of services rendered.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(19) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are calculated and recognized based on differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). For any deductible losses or tax deductions that can be deducted against taxable profit and can be carried forward to the next year according to the tax law, the deferred income tax assets are recognized. Deferred income tax liabilities are not recognized for the temporary differences arising from the initial recognition of goodwill. For those temporary differences arising from transactions that are not business combination and neither the accounting profits nor the taxable amount (or the deductible losses) are affected at the time of transactions, no deferred income tax assets or liabilities are recognized.

The Company and its subsidiaries recognize the deferred income tax assets arising from deductible temporary difference to the extent that the amount of the taxable income is likely to be obtained to deduct temporary differences, deductible losses or tax deductions.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

(20) Short-term bonds

Short-term bonds are initially recorded as liabilities at fair value less transaction cost and subsequently measured at amortized cost using the effective interest method over the terms of the bonds.

Unless meeting capitalization requirements, interest expenses are expensed as incurred.

(21) Revenue recognition

Revenue is recognized under the following methods:

(a) Revenue from principal operations

Revenue from principal operations represents amounts earned for electricity generated and transmitted to the ultimate consumers through respective provincial or regional grid companies (net of Value Added Tax ("VAT")). The Company and its subsidiaries bill the respective grid companies based on the actual quantity of electricity transmitted to the power grid controlled and owned by the respective grid companies and recognize revenue at the end of each month.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(21) Revenue recognition *(Cont'd)*

(b) Management service income

The Company provides management service to certain power plants owned by Huaneng Group and HIPDC as referred in Note 9(5)(h). The Company recognizes management service income as other income when service is rendered in accordance with the management service agreement.

(c) Other income

Interest income from deposits is recognized on a time proportion basis that reflects the effective yield on the deposits.

Rental income under operating leases is recognized on a straight-line basis over the relevant lease term.

(22) Leases

Leases of assets where all the risks and rewards incident to ownership of the assets are in substance transferred to the lessees are classified as finance leases. All other leases are operating leases. Operating lease expenses are capitalized or expensed on a straight-line basis over the period of the lease.

(23) Government grant

Government grants are recognized when the Company and its subsidiaries comply with the conditions for the government grants and can receive the government grants. When government grants are monetary assets, they are measured on the basis of the received or receivable amount. When government grants are non-monetary assets, they are measured at fair value. If it is unable to obtain their fair values reliably, they are measured at nominal amounts.

The government grants related to assets are recognized as deferred income and distributed within the useful lives of the relevant assets and recorded in the profit and loss account.

The government grants related to income and used for compensating the relevant future expenses or losses of the Company and its subsidiaries are recognized as deferred income and recorded in the profit and loss account in the period when the relevant expenses occur. The government grants used for compensating the relevant expenses or losses that have been incurred to the Company and its subsidiaries are directly recorded in the profit and loss account.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(24) Dividends appropriation

Cash dividends appropriation is recognized as a liability in the period in which the proposed dividends are approved by the general meeting of shareholders.

(25) Business combination

(a) Business combinations under common control

The merging party measures both the consideration paid and net assets obtained at their carrying amounts on the date of combination. The difference between the carrying amount of the net assets which the merging party obtains and the carrying amount of the consideration which it pays is recorded in capital surplus. If the additional capital surplus is not sufficient to be offset, the undistributed profits are adjusted.

The merging party's direct costs for the business combination are recorded in the profit and loss account in the current period. The handling fees, commissions and other expenses for the equity instruments or bonds issued for the business combination are recorded in shareholders' equity or in the amount of initial measurement of the bonds.

(b) Business combinations not under common control

The acquirer measures both the combination costs and identifiable net assets acquired at their fair values on the acquisition date. The excess of the combination costs over the acquirer's share of fair values of the identifiable net assets on the acquisition date is recognized as goodwill. The excess of the acquirer's share of fair value of the identifiable net assets on the acquisition date over the combination costs is recorded in the profit and loss account in the current period.

Costs incurred to the acquirer which are directly attributable to the business combination are recorded in the cost of business combination. The handling fees, commissions and other expenses for the equity instruments or bonds issued for the business combination are recorded in shareholders' equity or in the amount of initial measurement of the bonds.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(26) Consolidation of financial statements

The scope of consolidated financial statements includes the Company and its subsidiaries.

A subsidiary is consolidated from the date when control is obtained by the Company and is not consolidated once the control is lost. All material inter-company balances, transactions and unrealized gains among the Company and its subsidiaries are eliminated upon consolidation. Minority interests in the consolidated financial statements represent the portion of the shareholders' equity of the subsidiaries that are not owned by the Company and are separately shown under the shareholders' equity in the consolidated financial statements.

When the accounting policies or accounting period adopted by subsidiaries are not consistent with those adopted by the Company, adjustments are made to the subsidiaries' financial statements to ensure consistency with the policies adopted by the Company when preparing consolidated financial statements.

For subsidiaries acquired under business combinations not under common control, when preparing consolidated financial statements, adjustments are made to the financial statements of subsidiaries based on the fair value of the identifiable net assets determined on the acquisition date. For subsidiaries acquired under business combinations under common control, when preparing consolidated financial statements, the consolidated financial statements include the subsidiaries' assets, liabilities, operating results and cash flows from the earliest period shown on the consolidated financial statements as if the business combinations had occurred before the beginning of the earliest period.

(27) Fair value determination of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices in the active markets. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques includes making reference to the prices used by knowledgeable and willing parties in a recent transaction, making reference to the current fair value of other financial assets that are similar in substance, cash flow discounting method and black-scholes pricing model. When using valuation techniques, the Company and its subsidiaries try their best to use market index rather than index that is specific to the Company and its subsidiaries.

(28) Changes in accounting estimates

Changes in accounting estimates represent adjustments for the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, which result from the changes in the present status of the asset or liability, and the change of expected future benefits and obligations associated with the asset or liability. The Company and its subsidiaries apply the changes in accounting estimates prospectively.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Cont'd)*

(29) Critical accounting estimates and judgments

The Company and its subsidiaries' estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and its subsidiaries make estimates and assumptions concerning the future. The results of estimates and assumptions may not completely equal to the actual outcomes. The estimates and assumptions that may cause material adjustments to the carrying amounts of assets and liabilities within the next financial period include:

(a) Estimated impairment of goodwill

The Company and its subsidiaries test annually to judge whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4(13). The recoverable amounts of assets group or group of assets groups need to be determined based on value-in-use calculations. These calculations require the use of estimates. It is possible that actual outcomes within the next financial period that are different from current reasonable assumptions through the test based on existing knowledge, and could require a material adjustment to the carrying amount of goodwill.

(b) Useful lives of fixed assets

The management of the Company and its subsidiaries determine the estimated useful lives and related depreciation charges for their fixed assets. This estimate is based on projected wears and tears incurred during power generation, and could be largely influenced by technical innovations on power generators. Management will adjust the depreciation charge where useful lives vary from previous estimated lives; they will write-off or write-down technically obsolete or non-strategic assets that have been disposed or sold. It is possible that actual outcomes within the next financial period are different from current reasonable assumptions based on existing knowledge, and could require a material adjustment to the carrying amount of fixed assets.

(c) Estimated impairment of fixed assets

The Company and its subsidiaries test whether fixed assets suffered any impairment whenever any impairment indication exists. In accordance with Note 4(10), an impairment loss is recognized for the excess of the asset's carrying amount over its recoverable amount. It is possible that actual outcomes within the next financial period that are different from current reasonable assumptions through the test based on existing knowledge, and could require a material adjustment to the carrying amount of fixed assets.

5. TAXATION

(1) VAT

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

(2) Income tax

According to the relevant income tax law, Sino-foreign enterprises are, in general, subject to statutory income tax of 33% (30% of Enterprise Income Tax ("EIT") and 3% of local income tax). If these enterprises are located in certain specified locations or cities, or are specifically approved by the State Tax Bureau, lower tax rates would be applied. Effective from 1 January 1999, in accordance with the practice notes on the PRC income tax laws applicable to Sino-foreign enterprises investing in energy and transportation infrastructure businesses, a reduced income tax rate of 15% (after the approval of State Tax Bureau) is applicable across the country. Operating branches of the Company applied this rule after obtaining the approvals from the State Tax Bureau.

In accordance with Guo Shui Han [1994] No.381, the head office, Shandong Branch (the former headquarters of Shandong Huaneng Power Development Company Limited ("Shandong Huaneng")), Huadong Branch, Dongbei Branch and all of the operating power plants make their income tax payment to local tax bureau individually.

In March 2007, the PRC government promulgated the Corporate Income Tax Law which will be effective from 1 January 2008. The existing Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (the "FIE and FE tax laws") and Provisional Regulations of the People's Republic of China on Enterprise Income Tax (collectively referred to as the "existing tax laws") will be abolished simultaneously. Currently, branches and subsidiaries of the Company applied the tax rates under the existing tax laws. There will be a five-year transitional period for those entities currently using the FIE and FE tax laws to adopt the Corporate Income Tax Law. As there are still no detailed rulings released, the Company and its subsidiaries will continue to assess the impact of such new law in the future.

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(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

6. SUBSIDIARIES

(1) Subsidiaries acquired by business combinations under common control

Name of investee	Place and date of incorporation	Registered capital	Principal activities	Percentage of equity interest or percentage of voting power held by the Company		Included in consolidated financial statements
				Direct	Indirect	
Huaneng (Suzhou Industrial Park) Power Generation Co. Ltd. ("Taicang Power Company")	16/F, Zhiye Business Plaza, No. 158 Wangdun Road, Suzhou Industrial Park, Suzhou 19 June 1997	RMB632,840,000	Power generation	75%	—	Yes
Qinbei Power Company	Wulongkou Town, Jiyuan, Henan Province 26 December 2001	RMB810,000,000	Power generation	60%	—	Yes
Huaneng Yushe Power Generation Co., Ltd. ("Yushe Power Company")	Yushe County, Shanxi Province 29 November 1994	RMB615,760,000	Power generation	60%	—	Yes
Huaneng Yueyang Power Generation Limited Liability Company ("Yueyang Power Company")	ChengLingJi, Yueyang, Hunan Province 16 December 2003	RMB1,055,000,000	Power generation	55%	—	Yes
Huaneng Luohuang Power Generation Limited Liability Company ("Luohuang Power Company")	Luohuang Town, JiangJin 16 December 2003	RMB1,291,650,000	Power generation	60%	—	Yes
Huaneng Pingliang Power Generation Co., Ltd. ("Pingliang Power Company")	No. 7 Binhe Middle Road, Qilihe District, Lanzhou 6 November 1996	RMB924,050,000	Power generation	65%	—	Yes

The subsidiaries above and the Company are all controlled by Huaneng Group before and after the acquisitions.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

6. SUBSIDIARIES *(Cont'd)*

(2) Subsidiaries acquired by business combinations not under common control or acquired in other ways

Name of investee	Place and date of incorporation	Registered capital	Principal activities	Percentage of equity interest or percentage of voting power held by the Company		Included in consolidated financial statements
				Direct	Indirect	
Huaneng Weihai Power Limited Liability Company ("Weihai Power Company")	No. 58 Haibu Road, Weihai Economic Development Zone 22 November 1993	RMB761,838,300	Power generation	60%	—	Yes
Huaneng Taicang Power Co., Ltd. ("Taicang II Power Company")	Jinlanglanggang Village, Fuqiao Town, Taicang 18 June 2004	RMB804,146,700	Power generation	75%	—	Yes
Huaneng Huaiyin Power Generation Co. Ltd. ("Huaiyin Power Company")	No. 291 Huaihai West Road, Huai'an 26 January 1995	RMB265,000,000	Power generation	90%	—	Yes
Huaneng Huaiyin II Power Limited Company ("Huaiyin II Power Company")	No. 291 Huaihai West Road, Huai'an 22 June 2004	RMB774,000,000	Power generation	63.64%	—	Yes
Huaneng Xindian II Power Co., Ltd. ("Xindian II Power Company")	Qilu Chemical Industrial Park, Linzi District, Zibo 24 March 2004	RMB100,000,000	Power generation	95%	—	Yes
Huaneng Shanghai Combined Cycle Power Limited Liability Company ("Shanghai Combined Cycle Power Company")	No. 298 Shengshi Road, Baoshan District 13th January 2005	RMB685,800,000	Power generation	70%	—	Yes

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(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash

		30 June 2007			31 December 2006		
		Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
Cash	– RMB			**781,752**			1,327,455
Bank deposits	– RMB			**3,352,314,343**			3,248,047,314
	– USD	**21,503,653**	**7.6155**	**163,764,424**	20,705,102	7.8087	161,679,933
	– Japanese yen	**331**	**0.0618**	**20**	331	0.0656	22
Sub-total				**3,516,078,787**			3,409,727,269
Total cash				**3,516,860,539**			3,411,054,724

Please refer to Note 7(34) for the balances and changes of cash and cash equivalents stated in the cash flow statement.

Please refer to Note 9(6) for cash deposits in a related party.

(2) Notes receivable

	30 June 2007	31 December 2006
Banking notes receivable	**1,170,802,079**	1,001,830,632
Commercial notes receivable	**424,850,000**	132,150,000
	1,595,652,079	1,133,980,632

As at 30 June 2007, the undue balance of notes discounted by the Company and its subsidiaries amounted to RMB 658,790,406 (see Note 7(13)) (31 December 2006: RMB 338,189,780).

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(3) Accounts receivable and other receivables

(a) Accounts receivable

	30 June 2007	31 December 2006
Accounts receivable	**5,711,804,340**	6,433,474,290
Less: bad debt provision	**(250,272,403)**	(251,772,403)
	5,461,531,937	6,181,701,887

The aging analysis of accounts receivable and bad debt provision are as follows:

	30 June 2007				31 December 2006			
Aging	Amount	Percentage (%)	Bad debt provision	Ratio (%)	Amount	Percentage (%)	Bad debt provision	Ratio (%)
Within 1 year	**5,274,500,652**	**92**	**—**	**—**	5,922,048,374	92	—	—
1-2 years	**39,863,608**	**1**	**—**	**—**	112,370,835	2	—	—
2-3 years	**—**	**—**	**—**	**—**	51,554,429	1	(10,000,000)	19
Over 3 years*	**397,440,080**	**7**	**(250,272,403)**	**63**	347,500,652	5	(241,772,403)	70
	5,711,804,340	**100**	**(250,272,403)**	**4**	6,433,474,290	100	(251,772,403)	4

* As at 30 June 2007, the major portion of accounts receivables aged over 3 years not fully provided was account receivables of Yueyang Power Company due from local grid company. According to the acquisition agreement between the Company and HIPDC, HIPDC has provided guarantee to approximately RMB140 million of such account receivable based on the Company's equity shares. This account receivable arose when the Company acquired Yueyang Power Company from HIPDC in 2004. The Company received the guarantee payment from HIPDC on 31 December 2006. In addition, Yueyang Power Company is in progress of negotiation with local grid company regarding the collection of these receivables. Considering the preliminary outcome of the negotiation and the above acquisition arrangement, the Company and its subsidiaries do not fully provide bad debt provision on these accounts receivable.

All accounts receivable represent receivables from the provincial or regional grid companies for the sales of electric power.

As at 30 June 2007, there were no accounts receivables from shareholders who held 5% or more of the equity interest in the Company (31 December 2006: Nil).

As at 30 June 2007, the five largest accounts receivable of the Company and its subsidiaries amounted to RMB 3,340,350,938 (31 December 2006: RMB 3,848,879,619), representing 58.48% (31 December 2006: 59.83%) of the total accounts receivable, and the aging of such amount was within one year.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(3) Accounts receivable and other receivables *(Cont'd)*

(b) Other receivables

	30 June 2007	31 December 2006
Other receivables	327,276,079	283,254,479
Less: bad debt provision	(33,767,459)	(77,216,691)
	293,508,620	206,037,788

The aging analysis of other receivables and bad debt provision are as follows:

	30 June 2007				31 December 2006			
Aging	Amount	Percentage (%)	Bad debt provision	Ratio (%)	Amount	Percentage (%)	Bad debt provision	Ratio (%)
Within 1 year	235,459,056	72	(2,603,051)	1	152,950,182	54	(1,138,099)	1
1-2 years	13,642,768	4	(117,692)	1	9,679,066	3	(248,281)	3
2-3 years	5,562,962	2	(192,221)	3	3,518,193	1	(28,322)	1
Over 3 years	72,611,293	22	(30,854,495)	42	117,107,038	42	(75,801,989)	65
	327,276,079	100	(33,767,459)	10	283,254,479	100	(77,216,691)	27

As at 30 June 2007, the five largest other receivables of the Company and its subsidiaries amounted to RMB 149,720,896 (31 December 2006: RMB 127,417,863), representing 45.75% (31 December 2006: 44.98%).

As at 30 June 2007, there were no other receivables from shareholders who held 5% or more of the equity interest in the Company (31 December 2006: Nil).

Please refer to Note 9(7) for related party transaction balances.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(4) Advances to suppliers

The advances to suppliers mainly represent the prepayments for coal, and the aging analysis is as follows:

	30 June 2007		31 December 2006	
Aging	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Within 1 year	**258,342,922**	**89**	371,130,368	94
1-2 years	**30,200,610**	**10**	6,261,239	2
2-3 years	**1,850,314**	**1**	15,452,712	4
Over 3 years	**1,429,588**	**—**	1,416,909	—
	291,823,434	**100**	394,261,228	100

As at 30 June 2007, there were no advances paid to shareholders who held 5% or more of the equity interest in the Company (31 December 2006: Nil).

Please refer to Note 9(7) for related party transaction balances.

(5) Inventories

	30 June 2007	31 December 2006
Fuel (coal and oil) for power generation	**1,817,644,062**	1,241,838,130
Materials and spare parts	**997,887,521**	941,862,601
	2,815,531,583	2,183,700,731
Less: provision for inventory obsolescence – spare parts	**(49,970,804)**	(50,166,130)
	2,765,560,779	2,133,534,601

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(6) Available-for-sale financial assets

	30 June 2007	31 December 2006
Available-for-sale equity instrument	**2,594,485,215**	1,458,758,700

Available-for-sale equity instrument represents the equity investment in China Yangtze Power Co., Ltd. ("Yangtze Power"). As at 30 June 2007, the Company held approximately 171,710 thousand shares of Yangtze Power, representing 1.82% of its equity interest (31 December 2006: approximately 149,310 thousand, 1.82%). The fair value of this available-for-sale equity instrument as at 30 June 2007 was determined based on the closing market price quoted in Shanghai Stock Exchange on the last trading day of this period.

(7) Long-term equity investments

	31 December 2006	Current period additions	Current period deductions	30 June 2007
Associates (a)	5,173,532,514	1,559,309,025	(316,618,567)	**6,416,222,972**
Other long-term equity investments	8,416,633	—	(500,000)	**7,916,633**
Less: Provision for impairment on long-term equity investments	(4,908,243)	—	—	**(4,908,243)**
	5,177,040,904	1,559,309,025	(317,118,567)	**6,419,231,362**

As at 30 June 2007 and 31 December 2006, total long-term equity investments of the Company and its subsidiaries accounted for 13.82% and 10.66% of the consolidated net assets respectively.

The long-term investments of the Company and its subsidiaries are not subject to restriction on conversion into cash or restriction on remittance of investment income.

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(7) Long-term equity investments *(Cont'd)*

(a) Associates

Name of investee	Place and date of incorporation	Registered capital	Principal activities	Percentage of equity interest or percentage of voting power held by the Company	
				Direct	Indirect
Associates:					
Shandong Rizhao Power Company Ltd. ("Rizhao Power Company")	No.399 Beijing Road, Rizhao 20 March 1996	RMB1,245.59 million	Power generation	34%	—
Shenzhen Energy Group Co., Ltd. ("SEG")	Shenzhen, Guangdong Province 15 July 1985	RMB955.56 million	Development, production and sale of regular energy, new energy, and energy construction project, etc.	25%	—
Hebei Hanfeng Power Generation Limited Liability Company ("Hanfeng Power Company")	Yijing Town, Fengfeng coal field, Handan, Hebei Province 28 October 1996	RMB 1,975 million	Power generation	40%	—
Chongqing Huaneng Lime Company Limited ("Lime Company")	Luohuang Town, Jiangjin 5 November 1996	RMB 50 million	Lime production and sale of construction materials and bio-chemical products	—	25%
China Huaneng Finance Corporation Ltd. ("Huaneng Finance")	Xicheng District, Beijing 21 May 1988	RMB1,200 million	Advisory service in financial affairs, financing and credit appraisal	20%	—
Sichuan Hydropower Company	No. 47 Huaneng Mansion Division 4 Renmin South Road, Wuhou District, Chengdu 12 July 2004	RMB 800 million	Development, investment, construction, operation and management of hydropower	49%	—

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(7) Long-term equity investments *(Cont'd)*

(a) *Associates (Cont'd)*

	Investment period	Percentage of equity interest held		Cost of investment			Accumulated equity movement				Carrying amount	
		31 December 2006	30 June 2007	31 December 2006	Current period additions/ deductions	30 June 2007	31 December 2006	Current period additions	Current period deductions*	30 June 2007	31 December 2006	30 June 2007
Rizhao Power Company	20 years	34%	**34%**	426,948,218	—	**426,948,218**	62,630,194	—	(30,256,908)	**32,373,286**	489,578,412	**459,321,504**
SEG	No specific terms	25%	**25%**	1,595,902,576	—	**1,595,902,576**	1,411,988,515	163,777,500	(125,000,000)	**1,450,766,015**	3,007,891,091	**3,046,668,591**
Hanfeng Power Company	25 years	40%	**40%**	806,121,370	—	**806,121,370**	448,168,561	76,066,173	(117,747,600)	**406,487,134**	1,254,289,931	**1,212,608,504**
Lime Company	No specific terms	25%	**25%**	24,295,710	—	**24,295,710**	1,641,858	1,169,354	—	**2,811,212**	25,937,568	**27,106,922**
Huaneng Finance	No specific terms	20%	**20%**	306,634,130	—	**306,634,130**	69,257,127	50,088,642	(23,520,000)	**95,825,769**	375,891,257	**402,459,899**
Sichuan Hydropower Company	No specific terms	60%	**49%**	—	1,221,257,497	**1,221,257,497**	—	46,949,859	(149,804)	**46,800,055**	—	**1,268,057,552**
Jialingjiang Tourism Company	5 years	25%	**25%**	20,000,000	(20,000,000)	**—**	(55,745)	—	55,745	**—**	19,944,255	**—**
				3,179,902,004	1,201,257,497	**4,381,159,501**	1,993,630,510	338,051,528	(296,618,567)	**2,035,063,471**	5,173,532,514	**6,416,222,972**

* The current period deductions include cash dividends amounting to RMB 266,267,600 from associates of the Company and its subsidiaries.

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(8) Fixed assets and accumulated depreciation

Movement of cost and accumulated depreciation of fixed assets is as follows:

	Dam	Buildings	Electric utility plant in service	Transportation and transmission facilities	Others	Total
Cost						
31 December 2006	3,700,201,060	2,287,729,050	113,446,679,339	296,317,663	2,847,157,033	122,578,084,145
Reclassification	—	2,974,263	11,663,759	—	(14,638,022)	—
Transfers from construction-in-progress	—	98,397,244	2,390,340,553	—	4,808,948	2,493,546,745
Current period additions	—	5,710,672	16,144,603	—	23,594,933	45,450,208
Current period deductions*	(3,700,201,060)	(387,065,287)	(6,534,593,069)	—	(357,314,830)	(10,979,174,246)
30 June 2007	—	2,007,745,942	109,330,235,185	296,317,663	2,503,608,062	114,137,906,852
Accumulated depreciation						
31 December 2006	582,347,719	698,691,419	44,277,535,864	191,993,042	1,689,260,315	47,439,828,359
Reclassification	—	10,077,837	21,612,321	—	(31,690,158)	—
Current period depreciation	—	39,860,753	3,293,492,541	6,730,372	108,384,936	3,448,468,602
Current period deductions*	(582,347,719)	(72,433,634)	(2,197,471,477)	—	(170,926,923)	(3,023,179,753)
30 June 2007	—	676,196,375	45,395,169,249	198,723,414	1,595,028,170	47,865,117,208
Impairment provision						
31 December 2006	—	—	(42,000,000)	—	—	(42,000,000)
Current period additions	—	—	(7,043,793)	—	—	(7,043,793)
Current period deductions	—	—	—	—	—	—
30 June 2007	—	—	(49,043,793)	—	—	(49,043,793)
Net book value						
30 June 2007	—	1,331,549,567	63,886,022,143	97,594,249	908,579,892	66,223,745,851
31 December 2006	3,117,853,341	1,589,037,631	69,127,143,475	104,324,621	1,157,896,718	75,096,255,786

* The deduction of the cost and accumulated depreciation in current period was mainly due to that Sichuan Hydropower Company is no longer consolidated and the cost and accumulated depreciation of fixed assets were transferred out accordingly.

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(Prepared in accordance with PRC Accounting Standards)
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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(8) Fixed assets and accumulated depreciation *(Cont'd)*

As at 30 June 2007, the net book value of fully depreciated fixed assets that were still in use, amounted to approximately RMB 0.167 billion while the cost amounted to approximately RMB 3.949 billion (31 December 2006: Net book value: approximate RMB 0.188 billion; Cost: approximate RMB 4.396 billion).

For the six months ended 30 June 2007, the depreciations charged to operating cost and general and administrative expenses are RMB 3,425,403,131 and RMB 7,077,730 respectively (for the six months ended 30 June 2006: RMB 3,090,545,092 and RMB 8,266,239 respectively).

(9) Construction materials

	30 June 2007	31 December 2006
Specific materials and equipments	**1,343,170,940**	482,097,375
Prepayment for major equipments	**3,141,541,318**	3,206,982,572
Tools, instrument and spare parts for production	**30,182,264**	48,988,847
	4,514,894,522	3,738,068,794

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(10) Construction-in-progress

Projects	Budget	31 December 2006	Current period additions	Transfers to fixed assets during current period	Other deductions*	30 June 2007	Percentage of completion	Source of financing
Huaneng Yuhuan Power Plant ("Yuhuan Power Plant") Phase I project	9,669,320,000	24,664,724	816,062,674	(785,708,413)	—	**55,018,985**	99.43%	Funds borrowed from financial institutions and internal funds
Yuhuan Power Plant Phase II project	8,341,260,000	2,264,663,294	2,075,462,213	—	—	**4,340,125,507**	52.03%	Funds borrowed from financial institutions and internal funds
Qinbei Power Company Phase II project	4,243,210,000	401,477,015	436,462,234	—	—	**837,939,249**	19.75%	Funds borrowed from financial institutions and internal funds
Huaneng Rizhao Power Plant project	4,401,290,000	55,745,087	32,620,459	—	—	**88,365,546**	2.01%	Funds borrowed from financial institutions and internal funds
Xindian II Power Company project	2,453,780,000	6,158,355	38,841,102	—	—	**44,999,457**	92.60%	Funds borrowed from financial institutions and internal funds
Luohuang Power Company	4,483,660,000	1,190,284,579	189,336,745	(1,303,613,455)	—	**76,007,869**	84.16%	Funds borrowed from financial institutions and internal funds
Huaneng Yingkou Power Plant Phase II project	4,539,960,000	1,832,236,288	1,127,749,639	—	—	**2,959,985,927**	64.90%	Funds borrowed from financial institutions and internal funds
Huaneng Shang'an Power Plant Phase III project	4,576,210,000	257,214,962	503,421,112	—	—	**760,636,074**	14.87%	Funds borrowed from financial institutions and internal funds
Huaneng Haimen Power Plant project	9,210,310,000	187,568,787	346,504,028	—	—	**534,072,815**	5.80%	Funds borrowed from financial institutions and internal funds
Other projects		2,407,636,623	988,461,645	(404,224,877)	(1,871,963,270)	**1,119,910,121**		Funds borrowed from financial institutions and internal funds
		8,627,649,714	6,554,921,851	(2,493,546,745)	(1,871,963,270)	**10,817,061,550**		
Including: Capitalized borrowing costs		348,203,909	255,645,995	(11,968,892)	(135,552,842)	**456,328,170**		

* The other deductions represent the transfer out of the construction-in-progress of Sichuan Hydropower Company as it is not consolidated any longer.

(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(10) Construction-in-progress *(Cont'd)*

For the six months ended 30 June 2007, the interest expenses capitalized for construction-in-progress was RMB 255,645,995 and the capitalization rate was 5.14% per annum (For the six months ended 30 June 2006: RMB 310,672,635 at 5.33% per annum).

As at 30 June 2007 and 31 December 2006, there was no indication of impairment of the construction-in-progress of the Company and its subsidiaries, and therefore no provision for impairment loss was made.

(11) Intangible assets

	Original cost	31 December 2006	Current period addition	Current period transfer out	Current period amortization	Accumulated amortization	30 June 2007	Remaining amortization period	Acquisition method
Land use rights	2,255,293,306	1,825,739,797	79,314,039	(7,124,394)	(21,004,940)	(378,368,804)	**1,876,924,502**	13.5 to 67 years	Purchase and acquisition
Others	76,682,650	23,220,934	41,379,654	(1,637,022)	(3,604,461)	(17,323,545)	**59,359,105**	0.5 to 14.5 years	Purchase and acquisition
	2,331,975,956	1,848,960,731	120,693,693	(8,761,416)	(24,609,401)	(395,692,349)	**1,936,283,607**		

As at 30 June 2007 and 31 December 2006, there was no indication that the intangible assets of the Company and its subsidiaries were impaired and therefore no provision for impairment loss was made. No intangible assets of the Company and its subsidiaries were pledged.

(12) Goodwill

	31 December 2006	Current period addition	Current period deduction	30 June 2007
Goodwill	144,341,787	—	(3,899,772)	**140,442,015**
Less: Provision for impairment on goodwill	—	—	—	**—**
	144,341,787	—	(3,899,772)	**140,442,015**

As at 30 June 2007, the goodwill of the Company and its subsidiaries was from acquisitions of subsidiaries under business combinations not under common control.

As at 30 June 2007, there was no indication that the goodwill of the Company and its subsidiaries was impaired and it will be tested for impairment at the end of 2007.

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(13) Short-term loans

	30 June 2007	31 December 2006
Credit loans	**13,986,700,000**	6,823,720,000
Guaranteed loans	**2,658,790,406**	1,338,189,780
Total	**16,645,490,406**	8,161,909,780

As at 30 June 2007, all of the short-term loans of the Company and its subsidiaries were denominated in RMB, with interest rates ranging from 3.00% to 5.91% per annum (31 December 2006: 3.00% to 5.51% per annum).

As at 30 June 2007, the guaranteed short-term loan amounting to RMB 658,790,406 was the undue notes receivable with recourse (31 December 2006: RMB 338,189,780) discounted with banks. Because the notes receivable didn't fall due yet, the proceeds received were recorded as short-term loan (see Note 7(2)).

As at 30 June 2007, short-term loans amounting to RMB 2,503,162,240 were borrowed from Huaneng Finance, with interest rates ranging from 3.24% to 5.91% per annum (31 December 2006: RMB 2,534,609,781 with interest rates from 3.80% to 5.51% per annum), (see Note 9(5)).

As at 30 June 2007, short-term loans amounting to RMB 1,000 million borrowed from SDIC Hong Tai Trust & Investment Company Limited were guaranteed by Industrial and Commercial Bank of China Beijing Branch, with interest rate of 4.35% per annum. As at 30 June 2007, short-term loans amounting to RMB 1,000 million borrowed from Zhonghai Trust & Investment Company Limited were guaranteed by the headquarter of China Citic Bank Co., Ltd, with interest rate of 4.78% per annum. (31 December 2006: short-term loans amounting to RMB 1,000 million were guaranteed by of Industrial and Commercial Bank of China Beijing Branch, with interest rate of 4.35% per annum).

(14) Accounts payable

Accounts payable mainly represents the amounts due to coal suppliers. As at 30 June 2007 and 31 December 2006, there was no accounts payable to any shareholder who held 5% or more of the equity interest in the Company, and there was no significant accounts payable aged over three years.

See Note 9(7) for related party transaction balances.

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(15) Salary payable

	30 June 2007	31 December 2006
Salary, bonus, allowance and subsidy	**216,865,865**	266,535,570
Welfare	**145,978,243**	190,410,900
Social insurance	**(7,697,323)**	38,256,085
Housing fund	**21,308,647**	50,763,527
Labor union fee and employee education fee	**56,782,320**	38,077,043
	433,237,752	584,043,125

(16) Tax payable

The detailed breakdown is as follows:

	30 June 2007	31 December 2006
EIT payable	**226,821,607**	373,572,839
VAT payable	**414,692,747**	718,602,227
Others	**129,063,036**	99,607,705
	770,577,390	1,191,782,771

(17) Dividend payable

	30 June 2007	31 December 2006
Fujian Investment Enterprises Holdings Company	**94,770,660**	—
Shanxi International Electricity Group Company	**27,148,323**	—
Jiangsu GuoXin Assets Management Group Company	**33,324,059**	—
Jiangsu Electricity Development Inc.	**12,150,000**	—
Suzhou Industrial Park Inc.	**22,388,119**	—
China-Singapore Suzhou Industrial Park Development Company	**13,432,871**	—
Gansu Electricity Investment & Development Company	**63,000,000**	—
Weihai Electricity Development Office	**46,595,668**	—
	312,809,700	—

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(18) Other payable

The detailed breakdown is as follows:

	30 June 2007	31 December 2006
Payables to contractors	**2,237,361,420**	1,861,092,294
Payables for purchases of equipments	**1,150,826,306**	821,026,090
Retention monies	**723,895,446**	915,161,559
Payables for purchase of materials	**180,703,617**	413,111,345
Payables to HIPDC	**132,944,859**	79,730,462
Payables to Huaneng Group	**189,963**	44,591,698
Accruals of various expenses	**32,863,450**	55,953,416
Bonus payable for construction	**25,741,968**	85,198,918
Payables of housing maintenance funds	**45,757,073**	53,702,833
Payables of pollutants discharge fees	**33,735,659**	28,782,674
Others	**325,022,105**	553,753,110
	4,889,041,866	4,912,104,399

As at 30 June 2007, there were no other payables due to any shareholder who held 5% or more of the equity interest in the Company except for payables due to HIPDC of RMB 132,944,859 and payables due to Huaneng Group of RMB 189,963 (31 December 2006: due to HIPDC of RMB 79,730,462, due to Huaneng Group of RMB 44,591,698) as mentioned above.

As at 30 June 2007, significant other payables aged over 3 years amounting to approximately RMB 111.19 million (31 December 2006: RMB 119.92 million) mainly comprised of payables to contractors that had not been settled due to disagreement in quantity or quality of construction.

Please refer to Note 9(7) for related party transaction balances.

(19) Other current liabilities

The Company issued short-term interest-bearing bonds with one year maturity on 23 May 2006 and 26 June 2006 respectively. The face values were RMB 0.5 billion and 4.5 billion and the interest rates are 3.12% and 3.35% per annum respectively. The actual proceeds received were RMB 0.5 billion and 4.5 billion. As at 30 June 2007, the bonds mentioned above had been repaid on time.

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(20) Long-term loans

Long-term loans (all were credit loans unless otherwise stated) comprised of:

	30 June 2007	31 December 2006
Long-term loans from ultimate parent company (a)	**2,800,000,000**	2,800,000,000
Long-term bank loans (b)	**30,795,945,842**	35,206,233,187
Other long-term loans (c)	**275,914,285**	424,340,427
	33,871,860,127	38,430,573,614
Less: current portion of long-term loans	**(2,943,679,921)**	(3,331,954,868)
	30,928,180,206	35,098,618,746

(a) *Long-term loans from ultimate parent company*

As at 30 June 2007, detailed information of the long-term loans from ultimate parent company was as follows:

Lender	30 June 2007	Terms of loan	Annual interest rate	Current portion	Terms
Renminbi loans					
Entrusted loans from Huaneng Group through Huaneng Finance*	**600,000,000**	2004-2013	4.60%	—	Nil
Entrusted loans from Huaneng Group through Huaneng Finance*	**200,000,000**	2004-2013	4.32%	—	Nil
Entrusted loans from Huaneng Group through Huaneng Finance*	**2,000,000,000**	2005-2015	5.02%	—	Nil
	2,800,000,000			—	

* As at 30 June 2007, these loans were not repayable within one year and therefore there was no current portion.

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(20) Long-term loans *(Cont'd)*

(b) Long-term bank loans

Details of long-term bank loans (including the current portion) are as follows:

	30 June 2007					
	Foreign currency amount	Exchange rate	RMB equivalent	Less: Current portion	Total	Annual interest rate
Credit loans						
– Renminbi loans			25,423,590,000	(1,745,840,000)	23,677,750,000	3.60%-6.48%
– US dollar loans	3,322,225	7.6155	25,300,405	(9,386,104)	15,914,301	6.97%
– Euro loans	65,389,387	10.2337	669,175,370	(72,701,371)	596,473,999	2.00%
Guaranteed loans*						
– Renminbi loans			772,000,000	(180,000,000)	592,000,000	5.51%-5.75%
– US dollar loans	512,885,571	7.6155	3,905,880,067	(769,273,874)	3,136,606,193	5.41%-6.60%
Total			30,795,945,842	(2,777,201,349)	28,018,744,493	

* Bank loans amounting to approximately RMB 2.378 billion and RMB 2.200 billion (31 December 2006: approximately RMB 2.693 billion and RMB 6.078 billion) were guaranteed by HIPDC and Huaneng Group respectively.

There were no bank loans of the subsidiaries of the Company guaranteed by the Company (31 December 2006: Nil).

(c) Other long-term loans

The detailed information of other long-term loans (including the current portion) was as follows:

	30 June 2007		
	Foreign currency amoun	Exchange rate	RMB equivalent
Renminbi loans			130,000,000
US dollar loans	11,428,571	7.6155	87,034,285
Japanese yen loans	952,380,953	0.0618	58,880,000
			275,914,285
Less: Current portion of other long-term loans			(166,478,572)
Total			109,435,713

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(20) Long-term loans *(Cont'd)*

(c) Other long-term loans (Cont'd)

As at 30 June 2007, the detailed information of other long-term loans was as follows:

Lender	30 June 2007	Terms of Loan	Annual interest rate	Current portion	Terms
Renminbi loan					
China Electric Power Finance Co., Ltd.- Northwest Branch	**130,000,000**	2003-2008	5.83%	130,000,000	Secured by 50% tariff collection right of Pingliang Power Company
Subtotal of RMB loans	**130,000,000**			130,000,000	
US dollar loan					
On-lent foreign loan of the Ministry of Finance	**87,034,285**	1996-2011	LIBOR+0.43%	21,758,572	Guaranteed by Huaneng Group
Japanese yen loan					
On-lent foreign loan of the Ministry of Finance	**58,880,000**	1996-2011	LIBOR +0.3%	14,720,000	Guaranteed by Huaneng Group
Subtotal of foreign loans	**145,914,285**			36,478,572	
Total	**275,914,285**			166,478,572	

Analysis of long-term loans due dates are as follows:

	30 June 2007	31 December 2006
1-2 years	**6,032,353,045**	4,035,062,011
2-5 years	**15,784,564,958**	17,927,102,347
Over 5 years	**9,111,262,203**	13,136,454,388
	30,928,180,206	35,098,618,746

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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(21) Deferred income tax assets and liabilities

(a) Deferred income tax assets

	30 June 2007 Amount	31 December 2006 Amount
Asset impairment provision	**36,164,315**	78,678,496
Fixed assets depreciation	**20,862,003**	20,659,294
Accrued expenses	**9,107,139**	15,753,944
Others	**46,896,285**	58,373,208
	113,029,742	173,464,942

(b) Deferred income tax liabilities

	30 June 2007 Amount	31 December 2006 Amount
Fixed assets depreciation	**3,635,396**	31,561,084
Changes in fair value	**252,439,074**	191,262,314
Others	**180,365,552**	155,761,984
	436,440,022	378,585,382

The tax rates used in calculating the deferred income tax assets and deferred income tax liabilities are the tax rates applicable to the periods when the assets are expected to be recovered or liabilities settled. As at 30 June 2007, the Company and its subsidiaries have made adjustments in the deferred income tax assets and deferred income tax liabilities based on the estimation in accordance with Corporate Income Tax Law with consideration of the existing tax holiday of the Company and its subsidiaries.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(22) Share capital

	30 June 2007	31 December 2006
Listed shares (with lock-up limitation)		
State-owned shares	**1,055,124,549**	1,055,124,549
State-owned legal person shares	**7,269,542,118**	7,269,542,118
Other domestic shares	**25,333,333**	25,333,333
Including: Domestic legal person shares	**25,333,333**	25,333,333
Listed shares (without lock-up limitation)		
Domestic shares listed in the PRC	**650,000,000**	650,000,000
Overseas listed shares	**3,055,383,440**	3,055,383,440
Sub-total of listed shares	**12,055,383,440**	12,055,383,440
Total shares	**12,055,383,440**	12,055,383,440

(23) Capital surplus

Movement of capital surplus is as follows:

	31 December 2006	Current period additions	Current period deductions	30 June 2007
Share premium	8,590,777,628	94,840,154	(16,592,466)	**8,669,025,316**
Other capital surplus-				
Changes in fair value of available-for-sale financial assets	999,394,685	272 ,606,110	—	**1,272,000,795**
Capital surplus transferred from the previous accounting standards	50,400,027	—	—	**50,400,027**
Restricted reserve arising from equity investments	289,109,275	673,863	(149,804)	**289,633,334**
Subtotal	1,338,903,987	273,279,973	(149,804)	**1,612,034,156**
	9,929,681,615	368,120,127	(16,742,270)	**10,281,059,472**

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(24) Surplus reserves

	31 December 2006	Current period additions/ (deductions)	30 June 2007
Statuary surplus reserve fund	5,447,892,658	—	**5,447,892,658**
Discretionary surplus reserve fund	22,575,684	—	**22,575,684**
	5,470,468,342	—	**5,470,468,342**

No provision was made to the surplus reserves in the current reporting period.

(25) Unappropriated profit

	For the six months ended 30 June	
	2007	2006
Undistributed profit brought forward	**15,024,443,205**	12,826,010,668
Add: Net profit for the period	**2,936,589,038**	2,099,806,079
Less: Appropriations to statutory surplus reserve fund	**—**	—
Dividends payable to ordinary shareholders-cash dividends of prior year approved at the general meeting of the shareholders	**(3,375,507,363)**	(3,013,845,860)
Undistributed profit carried forward	**14,585,524,880**	11,911,970,887

Pursuant to the resolution of the Board of Directors on 3 April 2007, the proposed 2006 profit appropriation was on the basis of 12,055,383,440 ordinary shares outstanding as at 31 December 2006, a cash dividend of RMB 2.8 (including tax) of every 10 existing ordinary shares amounting to RMB 3,375,507,363 to be distributed to the shareholders. On 22 May 2007, the shareholders approved the profit distribution plan and declared the cash dividend on the basis of 12,055,383,440 ordinary shares outstanding as at that date. As at 30 June 2007, the Company has paid cash dividend amounting to RMB 3,280,736,693.

The maximum amount available for distribution to the shareholders is the lower of the amounts (i.e. net profit in current year plus undistributed profit brought forward from the beginning of the year, less any appropriations to the statutory surplus reserve fund) determined under the PRC accounting standards and the International Financial Reporting Standards ("IFRS").

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(26) Minority interests

Minority interests attributed to the minority shareholders of the subsidiaries are:

	30 June 2007	31 December 2006
Weihai Power Company	**402,591,982**	436,687,949
Huaiyin Power Company	**56,921,775**	57,821,891
Huaiyin II Power Company	**387,318,810**	394,801,043
Taicang Power Company	**222,373,703**	225,012,428
Taicang II Power Company	**213,332,032**	263,899,462
Qinbei Power Company	**505,355,122**	518,025,357
Yushe Power Company	**284,149,720**	288,711,850
Xindian II Power Company	**21,832,940**	21,631,818
Yueyang Power Company	**475,955,299**	481,290,827
Luohuang Power Company	**878,597,417**	1,032,928,916
Shanghai Combined Cycle Power Company	**220,610,304**	206,107,543
Pingliang Power Company	**396,508,125**	441,173,964
Sichuan Hydropower Company	—	750,944,895
Sichuan Huaneng BaoXing River Power Co. Ltd.	—	335,006,012
Sichuan Huaneng Dongxiguan Hydropower Limited Liability Company	—	115,225,336
Sichuan Huaneng Taipingyi Hydropower Limited Liability Company	—	201,177,602
Sichuan Huaneng Kangding Hydroelectric Power Co., Ltd.	—	204,689,928
Huaneng Mingtai Power Limited Liability Company	—	21,427,137
Sichuan Huaneng Jialingjiang Hydropower Limited Liability Company	—	91,150,513
Sichuan Huaneng Fujiang Hydropower Limited Liability Company	—	11,793,292
	4,065,547,229	6,099,507,763

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(27) Revenue from operations and cost of operations

	For the six months ended 30 June			
	2007		2006	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal operations	**23,138,845,740**	**18,659,525,813**	19,862,116,060	15,630,952,383
Revenue from other operations	**60,946,444**	**43,735,536**	55,594,084	37,029,828
Total	**23,199,792,184**	**18,703,261,349**	19,917,710,144	15,667,982,211

The Company and its subsidiaries are principally engaged in the sale of electric power in the PRC.

For the six months ended 30 June 2007 and 30 June 2006, the revenue from the five largest customers of the Company and its subsidiaries amounted to RMB 14,644,096,114 and RMB 12,449,978,079, representing 63.29% and 62.68% of the total revenue, respectively.

Revenue from other operations and cost of other operations:

	For the six months ended 30 June 2007		For the six months ended 30 June 2006	
	Revenue from other operations	**Cost of other operations**	Revenue from other operations	Cost of other operations
Sales of fuel and steam	**23,641,108**	**20,059,813**	25,010,997	13,972,093
Others	**37,305,336**	**23,675,723**	30,583,087	23,057,735
	60,946,444	**43,735,536**	55,594,084	37,029,828

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(28) Tax and levies on operations

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Business tax	**67,759**	728,377
City maintenance and construction tax	**39,471,288**	38,438,775
Surcharge for education fee	**29,999,314**	28,107,692
Other taxes	**356,453**	49,342
	69,894,814	67,324,186

(29) Financial expenses

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Interest expense	**971,544,640**	834,539,385
Interest expense of borrowings	**962,752,392**	832,499,660
Interest expense of notes discounts	**8,792,248**	2,039,725
Less: Interest income	**(23,331,562)**	(23,917,527)
Exchange losses	**4,893,618**	30,833,135
Less: Exchange gains	**(120,657,862)**	(40,276,517)
Others	**8,278,005**	30,443,204
	840,726,839	831,621,680

(30) Gains from changes in fair value

The gains from changes in fair value represent changes in fair value of warrants of Yangtze Power, which were classified as held-for-trading financial assets. For the six months ended 30 June 2007, the losses from the changes in fair value were due to that the accumulated fair value changes originally recorded in this account were transferred to investment income when the warrants were exercised.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(31) Investment income

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Gains from held-for-trading financial assets	**187,011,462**	—
Gains from available-for-sale financial assets	**567,772,246**	28,219,590
Gains from the held-to-maturity investment	**—**	4,950
Shares of net profit of investees accounted for under the equity method	**307,720,757**	273,094,330
Dividends declared by investees accounted for under the cost method	**34,459**	9,126
	1,062,538,924	301,327,996

The long-term investments of the Company and its subsidiaries are not subject to restriction on remittance of investment income.

(32) Income tax expenses

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Income tax in current period	**577,977,009**	560,351,325
Deferred income tax	**60,390,449**	(29,642,538)
	638,367,458	530,708,787

(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(33) Earnings per share

Basic earnings per share

The basic earnings per share is calculated by dividing the consolidated net profit attributable to the shareholders of the Company by the weighted average number of the Company's outstanding ordinary shares during the period:

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Consolidated net profit attributable to shareholders of the Company	**2,936,589,038**	2,099,806,079
Weighted average number of the Company's outstanding ordinary shares	**12,055,383,440**	12,055,383,440
Basic earnings per share	**0.24**	0.17

For the six months ended 30 June 2007, because there were no potential diluting ordinary shares, the basic earnings per share equalled to the diluted earnings per share.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(34) Notes to the cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Net profit	**3,134,222,077**	2,512,148,107
Add: Provision for assets impairment	**6,682,339**	9,273,278
Depreciation on fixed assets	**3,433,680,733**	3,099,500,124
Amortization on intangible assets	**24,609,401**	14,917,025
Amortization on long-term deferred expenses	**4,200,040**	5,249,857
Losses/(gains) on disposal of fixed assets	**13,100,616**	(694,877)
Losses/(gains) on changes in fair value	**100,179,545**	(37,686,591)
Financial expenses	**832,448,834**	821,178,474
Investment income	**(1,062,538,924)**	(301,369,996)
Non-operating income	**(6,215,621)**	—
Decrease/(Increase) in deferred income tax assets	**50,642,770**	(10,273,179)
Increase/(Decrease) in deferred income tax liabilities	**9,747,680**	(19,369,359)
(Increase)/Decrease in inventories	**(649,571,870)**	46,271,506
(Increase)/Decrease in operating receivable items	**(262,570,722)**	263,832,587
(Decrease)/Increase in operating payable items	**(38,898,998)**	173,232,457
Net cash flows generated from operating activities	**5,589,717,900**	6,576,209,413

(b) Changes in cash and cash equivalents

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Cash at end of period	**3,310,098,870**	2,411,266,165
Less: cash at beginning of period	**(3,207,191,539)**	(2,647,665,997)
Add: cash equivalents at end of period	**—**	—
Less: cash equivalents at beginning of period	**—**	—
Net increase/(decrease) in cash and cash equivalents	**102,907,331**	(236,399,832)

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(34) Notes to the cash flow statement *(Cont'd)*

(c) Cash and cash equivalents

	30 June 2007	31 December 2006
Cash	**3,516,860,539**	3,411,054,724
Less: Restricted cash	**(206,761,669)**	(203,863,185)
Cash and cash equivalents at end of period	**3,310,098,870**	3,207,191,539

(d) Other cash paid relating to operating activities

Other cash paid relating to operating activities in cash flow statement includes:

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Service fees paid to HIPDC	**70,385,525**	70,385,525
Pollutants discharge fees	**230,702,281**	216,921,270
Other items	**673,476,540**	336,131,242
	974,564,346	623,438,037

(35) Company no longer consolidated in current period

As mentioned in Notes 1, the financial statements of Sichuan Hydropower Company and its subsidiaries were no longer consolidated for the six months ended 30 June 2007. The net assets as at 30 June 2007 and net profit for the six months ended 30 June 2007 of Sichuan Hydropower Company and its subsidiaries were as follow:

	Net assets as at 30 June 2007 (Unaudited)*	Net profit for the six months ended 30 June 2007 (Unaudited)*
Sichuan Hydropower Company	**3,617,573,320**	**174,288,802**

* The net assets and net profit above both include minority interests.

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(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

8. NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS

(1) Accounts receivable and other receivables

(a) Accounts receivable

	30 June 2007	31 December 2006
Accounts receivable	**3,055,408,317**	3,757,120,713
Less: bad debt provision	**(109,326)**	(109,326)
	3,055,298,991	3,757,011,387

The aging analysis of accounts receivable and bad debt provision are as follows:

	30 June 2007				31 December 2006			
Aging	Amount	Percentage (%)	Bad debt provision	Ratio (%)	Amount	Percentage (%)	Bad debt provision	Ratio (%)
Within 1 year	**3,010,248,259**	**99**	**—**	**—**	3,639,453,428	97	—	—
1-2 years	**39,863,608**	**1**	**—**	**—**	112,370,835	3	—	—
2-3 years	**—**	**—**	**—**	**—**	—	—	—	—
Over 3 years	**5,296,450**	**—**	**(109,326)**	**2**	5,296,450	—	(109,326)	2
	3,055,408,317	**100**	**(109,326)**	**—**	3,757,120,713	100	(109,326)	—

All accounts receivable represent receivables from the provincial or regional grid companies for the sales of electric power.

As at 30 June 2007, there were no accounts receivables from shareholders who held 5% or more of the equity interest in the Company (31 December 2006: Nil).

As at 30 June 2007, the five largest accounts receivable of the Company amounting to RMB 2,207,534,278 (31 December 2006: RMB 2,765,981,319), representing 72.25% (31 December 2006: 73.62%) of total accounts receivable.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

8. NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS *(Cont'd)*

(1) Accounts receivable and other receivables *(Cont'd)*

(b) Other receivables

	30 June 2007	31 December 2006
Other receivables	212,189,146	249,342,297
Less: Bad debt provision	(24,458,526)	(22,910,876)
	187,730,620	226,431,421

The aging analysis of other receivables and bad debt provision are as follows:

	30 June 2007				31 December 2006			
Aging	Amount	Percentage (%)	Bad debt provision	Ratio (%)	Amount	Percentage (%)	Bad debt provision	Ratio (%)
Within 1 year	153,724,587	72	(2,578,091)	2	199,474,576	80	(986,191)	—
1-2 years	10,610,972	5	(25,743)	—	6,408,956	3	(181,427)	3
2-3 years	4,718,404	2	(125,367)	3	446,318	—	(12,805)	3
Over 3 years	43,135,183	21	(21,729,325)	50	43,012,447	17	(21,730,453)	51
	212,189,146	100	(24,458,526)	12	249,342,297	100	(22,910,876)	9

As at 30 June 2007, the five largest other receivables of the Company amounting to RMB 96,156,522 (31 December 2006: RMB 161,789,635), most of which were within one year, representing 45.32% (31 December 2006: 64.89%) of total other receivables.

As at 30 June 2007 and 31 December 2006, there were no other receivables from shareholders who held 5% or more of the equity interest in the Company.

Please refer to Note 9(7) for related party transaction balances.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

8. NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS *(Cont'd)*

(2) Long-term equity investments

	31 December 2006	Current period additions	Current period deductions	**30 June 2007**
Subsidiaries (a)	9,549,600,474	119,750,000	(1,967,049,043)	**7,702,301,431**
Associates	5,127,650,691	1,558,139,671	(296,674,312)	**6,389,116,050**
Other long-term equity investments	7,916,633	—	—	**7,916,633**
Provision for impairment on long-term equity investments	(4,908,243)	—	—	**(4,908,243)**
	14,680,259,555	1,677,889,671	(2,263,723,355)	**14,094,425,871**

As at 30 June 2007 and 31 December 2006, total long-term investments of the Company accounted for 33.50% and 34.52% of the Company's net assets respectively.

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(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

8. NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS *(Cont'd)*

(a) Long-term equity investments in subsidiaries

		Percentage of equity interest held		31 December 2006			30 June 2007		
	Investment period	31 December 2006	30 June 2007	Cost of investment	Accumulated equity movement	Carrying amount	Current period additions	Current period deductions	Carrying amount
Weihai Power Company	30 years	60%	**60%**	474,038,793	180,993,126	655,031,919	**—**	**(69,893,490)**	**585,138,429**
Taicang Power Company	25 years	75%	**75%**	469,706,560	205,330,726	675,037,286	**—**	**(57,251,639)**	**617,785,647**
Huaiyin Power Company	No specific terms	90%	**90%**	620,732,507	38,495,775	659,228,282	**—**	**(33,780,000)**	**625,448,282**
Huaiyin II Power Company	No specific terms	63.64%	**63.64%**	572,573,600	71,156,807	643,730,407	**—**	**(53,430,000)**	**590,300,407**
Yushe Power Company	No specific terms	60%	**60%**	374,449,895	58,627,878	433,077,773	**—**	**(40,722,481)**	**392,355,292**
Qinbei Power Company	50 years	55%	**60%**	501,355,599	215,119,835	716,475,434	**65,750,000**	**—**	**782,225,434**
Xindian II Power Company	20 years	95%	**95%**	401,100,000	9,914,549	411,014,549	**—**	**—**	**411,014,549**
Taicang II Power Company	No specific terms	75%	**75%**	603,110,000	188,588,288	791,698,288	**—**	**(167,910,890)**	**623,787,398**
Yueyang Power Company	25 years	55%	**55%**	472,984,838	115,259,506	588,244,344	**—**	**—**	**588,244,344**
Luohuang Power Company	30 years	60%	**60%**	1,195,218,249	354,210,127	1,549,428,376	**54,000,000**	**(300,000,000)**	**1,303,428,376**
Shanghai Combined Cycle Power Company	25 years	70%	**70%**	480,060,000	857,599	480,917,599	**—**	**(643,200)**	**480,274,399**
Sichuan Hydropower Company	20 years	60%	**49%**	767,932,785	358,484,558	1,126,417,343	**—**	**(1,126,417,343)**	**—**
Pingliang Power Company	23 years	65%	**65%**	610,717,154	208,581,720	819,298,874	**—**	**(117,000,000)**	**702,298,874**
				7,543,979,980	2,005,620,494	9,549,600,474	**119,750,000**	**(1,967,049,043)**	**7,702,301,431**

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

8. NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS *(Cont'd)*

(3) Revenue from operations and costs of operations

	For the six months ended 30 June			
	2007		2006	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal operations	**14,506,236,721**	**11,835,267,465**	12,701,269,262	10,424,079,380
Revenue from other operations	**306,069,430**	**283,492,441**	49,334,135	33,179,515
Total	**14,812,306,151**	**12,118,759,906**	12,750,603,397	10,457,258,895

The Company is principally engaged in the sale of electric power in the PRC.

For the six months ended 30 June 2007 and 30 June 2006, the revenue from the five largest customers of the Company amounted to RMB 10,691,010,407 and RMB 9,797,843,575, representing 73.70% and 77.14% of the total revenue, respectively.

Revenue from other operations and cost of other operations are detailed as follows:

	For the six months ended 30 June 2007		For the six months ended 30 June 2006	
	Revenue from other operations	**Cost of other operations**	Revenue from other operations	Cost of other operations
Sales of fuels and steam	**267,550,907**	**263,969,612**	25,010,997	13,972,093
Others	**38,518,523**	**19,522,829**	24,323,138	19,207,422
	306,069,430	**283,492,441**	49,334,135	33,179,515

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(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

8. NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS *(Cont'd)*

(4) Investment income

	For the six months ended 30 June 2007	For the six months ended 30 June 2006
Income from held-for-trading financial assets	**187,011,462**	—
Income from available-for-sale financial assets	**567,772,246**	28,228,716
Income from held-to-maturity financial assets	**—**	4,950
Shares of net profit of investees under the equity method	**306,551,403**	791,041,630
	1,061,335,111	819,275,296

The long-term investments of the Company are not subject to restriction on remittance of investment income.

9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Related parties that control/are controlled by the Company

Name	Registered address	Principal activities	Relationship with the Company	Type of enterprise	Legal representative
Huaneng Group	Jia 23 Fuxing Road, Haidian District, Beijing	Investments in power stations, coal, minerals, railways, transportation, petrochemical, energy-saving facilities, steel, timber and related industries	Ultimate parent company of the Company	State-owned enterprise	Li Xiaopeng
HIPDC	Bing 2 Fuxingmen South Road, Xicheng District, Beijing	Investments, construction and operations of power plants and development, investments and operations of other export—oriented enterprises	Parent company of the Company	Sino-foreign equity joint stock limited liability company	Li Xiaopeng
Weihai Power Company	No. 58 Haibu Road, Weihai Economic Development Zone	Power generation	A subsidiary of the Company	Limited liability company	Huang Jian
Taicang Power Company	16/F, Zhiye Business Plaza, No. 158, Wangdun Road, Suzhou Industrial Park, Suzhou	Power generation	A subsidiary of the Company	Limited liability company	Lu Dan

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Cont'd)*

(1) Related parties that control/are controlled by the Company *(Cont'd)*

Name	Registered address	Principal activities	Relationship with the Company	Type of enterprise	Legal representative
Taicang II Power Company	Jinlanglanggang Village, Fuqiao Town, Taicang	Power generation	A subsidiary of the Company	Limited liability company	Lu Dan
Huaiyin Power Company	No. 291 Huaihai West Road, Huai'an	Power generation	A subsidiary of the Company	Limited liability company	Lu Dan
Huaiyin II Power Company	No. 291 Huaihai West Road, Huai'an	Power generation	A subsidiary of the Company	Limited liability company	Lu Dan
Qinbei Power Company	Wulongkou town, Jiyuan City, Henan Province	Power generation	A subsidiary of the Company	Limited liability company	Fan Xiaxia
Yushe Power Company	Yushe County, Shanxi Province	Power generation	A subsidiary of the Company	Limited liability company	Liu Guoyue
Xindian II Power Company	Qilu Chemical Industrial Park, Linzi District, Zibo	Power generation	A subsidiary of the Company	Limited liability company	Huang Jian
Yueyang Power Company	ChengLingji, Yueyang, Hunan Province	Power generation	A subsidiary of the Company	Limited liability company	Fan Xiaxia
Luohuang Power Company	Luohuang Town, Jiangjin City	Power generation	A subsidiary of the Company	Limited liability company	Fan Xiaxia
Shanghai Combined Cycle Power Company	No. 298 Shengshi Road, Baoshan District	Power generation	A subsidiary of the Company	Limited liability company	Wu Dawei
Pingliang Power Company	No. 7 Binhe Middle Road, Qilihe District, Lanzhou	Power generation	A subsidiary of the Company	Limited liability company	Liu Guoyue

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9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Cont'd)*

(2) Registered capital of related parties that control/are controlled by the Company and respective changes

Name	Currency	31 December 2006	Current period deductions	30 June 2007
Huaneng Group	RMB	20,000,000,000	—	**20,000,000,000**
HIPDC	USD	450,000,000	—	**450,000,000**
Weihai Power Company	RMB	761,838,300	—	**761,838,300**
Taicang Power Company	RMB	632,840,000	—	**632,840,000**
Taicang II Power Company	RMB	894,410,000	**(90,263,300)**	**804,146,700**
Huaiyin Power Company	RMB	265,000,000	—	**265,000,000**
Huaiyin II Power Company	RMB	774,000,000	—	**774,000,000**
Qinbei Power Company	RMB	810,000,000	—	**810,000,000**
Yushe Power Company	RMB	615,760,000	—	**615,760,000**
Xindian II Power Company	RMB	100,000,000	—	**100,000,000**
Yueyang Power Company	RMB	1,055,000,000	—	**1,055,000,000**
Luohuang Power Company	RMB	1,291,650,000	—	**1,291,650,000**
Shanghai Combined Cycle Power Company	RMB	685,800,000	—	**685,800,000**
Pingliang Power Company	RMB	924,050,000	—	**924,050,000**

(3) Equity shares and changes in equity shares held by parties that control or are controlled by the Company

	31 December 2006		Current period additions/(deductions)		30 June 2007	
Name	Amount	%	Amount	%	Amount	%
Huaneng Group*	1,055,124,549	8.75	—	—	**1,055,124,549**	**8.75**
HIPDC**	5,066,662,118	42.03	—	—	**5,066,662,118**	**42.03**

For equity shares of other related parties held by the Company and respective changes, please refer to Note 8(2).

* Huaneng Group holds 8.75% equity interest in the Company upon the completion of shareholding reform plan in 2006. In addition, Huaneng Group holds 51.98% equity interest in HIPDC.

** HIPDC holds 42.03% equity interest in the Company upon the completion of shareholding reform plan in 2006. In the opinion of the Company's directors, HIPDC is the parent company of the Company. As HIPDC's parent company, Huaneng Group is regarded as the related party who controls the Company together with HIPDC. In addition, promoters of the Company entered into a supplementary agreement pursuant to which HIPDC would no longer to be granted the voting rights of other promoters.

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(Prepared in accordance with PRC Accounting Standards)
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9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Cont'd)*

(4) Nature of related parties that do not control/are not controlled by the Company

Name of related parties	Relationship with the Company
Huaneng Finance	An associate of the Company
China Huaneng International Trade Economics Corporation ("CHITEC") *	A subsidiary of Huaneng Group
Huaneng Xinrui Control Technology Co. Ltd. ("Huaneng Xinrui") *	A subsidiary of Huaneng Group
Xi'an Thermal Power Research Institute Co., Ltd. ("Xi'an Thermal") *	A subsidiary of Huaneng Group
Rizhao Power Company	An associate of the Company
Hanfeng Power Company	An associate of the Company
Hebei Huaneng Jingyuan Coal Company Limited ("Huaneng Jingyuan") *	A subsidiary of Huaneng Group
Lime Company	An associate of Luohuang Power Company
Huaneng Energy & Communications Holdings Co., Ltd. ("HEC") *	A subsidiary of Huaneng Group
Huaneng Information Industry Holding Co., Ltd.	A subsidiary of Huaneng Group

* In 2007, CHITEC (including its subsidiary Huaneng Jingyuan) merged with HEC and Huaneng Xinrui merged with Xi'an Thermal, so CHITEC and Huaneng Xinrui became subsidiaries of HEC and Xi'an thermal respectively. The related party transactions and balances of the Company and its subsidiaries with the entities mentioned above listed under the items "HEC and its subsidiaries" and "Xi'an thermal and its subsidiaries" respectively.

(5) Related party transactions

a. Pursuant to the service agreement entered into by the Company and HIPDC, HIPDC provides transmission service and transformer facilities to some of the power plants of the Company and receives service fees. For the six months ended 30 June 2007, the total amount of service fees paid to HIPDC was approximately RMB 70 million (for the six months ended 30 June 2006: RMB 70 million).

b. Pursuant to a leasing agreement entered into between the Company and HIPDC, the land use right of Nanjing Power Plant is leased to the Company for 50 years from 1 January 1999 at an annual rental payment of RMB1.334 million. For the six months ended 30 June 2007, total rental payments of the land use right was RMB 0.667 million (for the six months ended 30 June 2006: RMB 0.667 million).

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(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Cont'd)*

(5) Related party transactions *(Cont'd)*

c. Pursuant to a leasing agreement between the Company and HIPDC, HIPDC leases its office building to the Company at an annual rental of RMB 26 million for five years effective from 1 January 2005. For the six months ended 30 June 2007, the total rental payment of office building was RMB 13 million (for the six months ended 30 June 2006: RMB 13 million).

d. Please refer to Notes 7(20)(a) for details of bank loans on-lent from Huaneng Group through Huaneng Finance to the Company's subsidiaries. For the six months ended 30 June 2007, total amount of long-term loan interest paid by the Company and its subsidiaries to Huaneng Finance amounted to RMB 68,813,931 (for the six months ended 30 June 2006: RMB 73,586,028).

e. As at 30 June 2007, Huaneng Finance granted short-term loans amounting to RMB 2,503 million (31 December 2006: RMB 2,535 million) to the Company and its subsidiaries. The relevant interest rates range from 3.24% to 5.91% (2006: 3.80% to 5.51%) per annum. The interest rates for such loans have no material difference from the prevailing market interest rates (see Note 7(13)). For the six months ended 30 June 2007, the interest paid by the Company and its subsidiaries to Huaneng Finance for these loans amounted to RMB 63,153,232 (for the six months ended 30 June 2006: RMB 55,864,585).

f. Please refer to Note 7(20)(b) for details of the long-term bank loans of the Company and its subsidiaries guaranteed by HIPDC and Huaneng Group.

g. Please refer to Note 10 for details of bank loans of Rizhao Power Company guaranteed by the Company and its subsidiaries.

h. On 6 November 2002, the Company entered into a management service agreement with Huaneng Group and HIPDC. Pursuant to which, the Company provides management services to certain power plants owned by Huaneng Group and HIPDC for 5 years. For the six months ended 30 June 2007, the Company earned service fees amounting to RMB 23,111,955 from Huaneng Group (for the six months ended 30 June 2006: RMB 16,080,000). The Company earned service fees amounting to RMB 2,371,275 from HIPDC (for the six months ended 30 June 2006: RMB 1,920,000). For the six months ended 30 June 2007, the related costs incurred for the management services rendered amounted to approximately RMB 16.70 million (for the six months ended 30 June 2006: RMB 16.33 million).

i. For the six months ended 30 June 2007, the Company and its subsidiaries paid approximately RMB 899 million for coal purchased and transportation services received from HEC and its subsidiaries (for the six months ended 30 June 2006: RMB 489 million).

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Cont'd)*

(5) Related party transactions *(Cont'd)*

j. For the six months ended 30 June 2007, the Company and its subsidiaries paid approximately RMB 143 million for equipment purchased from HEC and its subsidiaries (for the six months ended 30 June 2006: RMB 17.78 million).

k. For the six months ended 30 June 2007, the Company and its subsidiaries paid approximately RMB 31.91 million for lime products from Lime Company (for the six months ended 30 June 2006: RMB 22.56 million).

l. For the six months ended 30 June 2007, the Company and its subsidiaries paid approximately RMB 94.54 million to Xi'an Thermal and its subsidiaries for information and technology supporting (for the six months ended 30 June 2006: RMB 15.55 million).

m. In January 2007, the Company entered into an agreement with Huaneng Group and acquired from Huaneng Group 5% equity interest in Qinbei Power Company at consideration of RMB 65.75 million. Such an acquisition enables the Company's equity share of Qinbei Power Company increased to 60%.

n. For the six months ended 30 June 2007, the Company and its subsidiaries discounted banking notes with Huaneng Finance amounting to RMB 260 million, and the related charge amounted to 2.8075 million (for the six months ended 30 June 2006: Nil).

(6) Cash deposits in a related party

	30 June 2007	31 December 2006
Deposits in Huaneng Finance:		
– Current deposits	**1,670,156,343**	2,246,758,135

As at 30 June 2007, the annual interest rates for these current deposits placed with Huaneng Finance ranged from 0.72% to 1.44% (31 December 2006: from 0.72% to 1.62%).

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Cont'd)*

(7) Receivables from/ payables to related parties

	30 June 2007		31 December 2006	
	Amount	Percentage attributable to related balance	Amount	Percentage attributable to related balance
Prepayments				
Prepayments to HEC and its subsidiaries	85,364,178	29.25%	—	—
Prepayments to Xi'an Thermal and its subsidiaries	3,355,270	1.15%	620,500	0.16%
Other receivables				
Receivables from Huaneng Group	9,135,955	3.11%	—	—
Receivables from Xi'an Thermal and its subsidiaries	400,000	0.14%	—	—
Accounts payable				
Payables to Lime Company	(5,264,858)	0.32%	(6,185,598)	0.48%
Payables to Huaneng Xinrui	—	—	(298,500)	0.02%
Payables to Xi'an Thermal and its subsidiaries	(4,770,625)	0.29%	(4,455,805)	0.35%
Payables to HEC and its subsidiaries	(89,710,414)	5.38%	(27,504,528)	2.15%
Other Payables				
Payables to HIPDC	(132,944,859)	2.72%	(79,730,462)	1.62%
Payables to other subsidiaries of HIPDC	(547,200)	0.01%	(927,200)	0.02%
Payables to CHITEC	—	—	(3,792,741)	0.08%
Payables to Huaneng Group	(189,963)	—	(44,591,698)	0.91%
Payables to Rizhao Power Company	(335,151)	0.01%	(77,298,477)	1.57%
Payables to Hanfeng Power Company	(54,800)	—	(28,340)	—
Payables to other subsidiaries of Huaneng Group	(975,065)	0.02%	(8,685,831)	0.18%
Payables to Huaneng Xinrui	—	—	(4,185,418)	0.09%
Payables to Xi'an Thermal and its subsidiaries	(33,928,813)	0.69%	(15,790,906)	0.32%
Payables to HEC and its subsidiaries	(13,526,846)	0.28%	(154,368)	—
Payables to Huaneng information industry holding co., ltd.	(84,800)	—	—	—
Interest payables				
Interest payables on loans from Huaneng Finance	(1,919,250)	1.41%	(7,592,431)	3.88%
Interest payables on loans from Huaneng Group	(20,650,375)	15.13%	(10,000,000)	5.11%
Other non-current liabilities				
Interest payables on loans from Huaneng Group	—	—	(32,553,304)	86.01%

9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Cont'd)*

(7) Receivables from/ payables to related parties *(Cont'd)*

These receivables and payables with related parties were unsecured, non-interest bearing.

In addition, please refer to Note 7(13) and (20) for loan balances borrowed from related parties.

(8) Related transactions and balances between the Company and its subsidiaries

a. For the six months ended 30 June 2007, the Company earned service fees amounting to RMB 20,551,161 from its subsidiaries (for the six months ended 30 June 2006: RMB 16,337,177).

b. For the six months ended 30 June 2007, the Company earned revenue amounting to RMB 13,008,834 from its subsidiaries by substituting power generation (for the six months ended 30 June 2006: Nil).

c. For the six months ended 30 June 2007, the Company earned revenue amounting to RMB 243,913,282 from selling fuels and materials to its subsidiaries (for the six months ended 30 June 2006: Nil).

d. For the six months ended 30 June 2007, the Company earned revenue amounting to RMB 856,795 from selling heat to its subsidiaries (for the six months ended 30 June 2006: Nil).

e. For the six months ended 30 June 2007, the Company earned revenue amounting to RMB 5,385,248 from providing repair and maintenance services to its subsidiaries (for the six months ended 30 June 2006: RMB 2,041,880).

f. Receivables from and payables to subsidiaries of the Company.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

9. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Cont'd)*

(8) Related transactions and balances between the Company and its subsidiaries *(Cont'd)*

	30 June 2007		31 December 2006	
	Amount	**Percentage attributable to related balance**	Amount	Percentage attributable to related balance
Other receivables				
Receivables from Weihai Power Company	**3,294,285**	**1.75%**	2,767,360	1.22%
Receivables from Yueyang Power Company	**6,886,992**	**3.67%**	18,093,173	7.99%
Receivables from Luohuang Power Company	**6,743,350**	**3.59%**	11,443,471	5.05%
Receivables from Taicang Power Company	**834,000**	**0.44%**	1,326,092	0.59%
Receivables from Taicang II Power Company	**1,672,779**	**0.89%**	—	—
Receivables from Shanghai Combined Cycle Power Company	**2,925,000**	**1.56%**	30,500,000	13.47%
Receivables from Xindian II Power Company	**6,910,839**	**3.68%**	84,670,683	37.39%
Other Payables				
Payables to Shanghai Combined Cycle Power Company	**(810,800)**	**0.02%**	(960,000)	0.05%
Payables to Huaiyin Power Company	**(199,800)**	**0.01%**	—	—
Payables to Huaiyin II Power Company	**(70,000)**	**—**	—	—
Payables to Qinbei Power Company	**(54,800)**	**—**	—	—
Payables to Yushe Power Company	**(4,800)**	**—**	—	—
Payables to Xindian II Power Company	**(260,000)**	**0.01%**	—	—
Payables to Pinliang Power Company	**(54,826)**	**—**	—	—

The transactions and balances amongst the Company and its subsidiaries referred above have been completely eliminated when preparing the consolidated financial statements of the Company and its subsidiaries.

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
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10. CONTINGENT LIABILITY

	30 June 2007	
Item	The Company and its subsidiaries	The Company
Guarantees on the long-term bank loans of Rizhao Power Company	**110,500,000**	**110,500,000**

Guarantees on the long-term bank loans of Rizhao Power Company by the Company had no significant financial impact on the Company's operations.

11. COMMITMENTS

Commitments mainly relate to the construction of new power projects, and renovation projects for existing power plants. Expenditure which was contracted but not provided for as at 30 June 2007 amounting to approximately RMB 27.544 billion (31 December 2006: RMB 17.388 billion).

In addition, from 2004 to 2006, the Company entered into various long-term agreements subject to termination only under certain limited circumstances for the procurement of coal from 2005 to 2009 for use in power generation. In most cases, these agreements contain provisions for price escalation and minimum purchase level clauses. The future purchase commitments under the above agreements are as follows:

	30 June 2007
2007	**5,477,843,097**
2008	**5,512,180,340**
2009	**5,512,180,340**
	16,502,203,777

The Company entered into various operating lease arrangements for land and buildings. Total future minimum lease payments under irrevocable operating leases are as follows:

	30 June 2007	31 December 2006
Land and buildings		
Within 1 year	**29,253,383**	29,253,383
1-2 years	**3,253,383**	3,253,383
2-3 years	**3,253,383**	3,253,383
After 3 years	**116,018,447**	117,645,138
	151,778,596	153,405,287

11. COMMITMENTS *(Cont'd)*

In addition, in accordance with a 30-year operating lease agreement signed by Dezhou Power Plant and Shandong Land Bureau for the land occupied by Dezhou Power Plant Phases I and II in June 1994, annual rental is approximately RMB 29,874,000 effective from June 1994 and is subject to revision at the end of the fifth year from the contract date. Thereafter, the annual rental is subject to revision once every three years. The increment for each rental revision is restricted to no more than 30% of the previous annual rental amount.

12. EVENT AFTER THE BALANCE SHEET DATE

The Company and its subsidiaries issued RMB5 billion of unsecured short-term bonds bearing coupon rates of 3.84% per annum on 9 August 2007. These bonds are denominated in RMB and will mature in 364 days from their issue date at their nominal values. The effective interest rate of these bonds is approximately 4.26% per annum.

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13. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

(1) The Company and its subsidiaries' financial statements for the six months ended 30 June 2007 are the first interim financial statements of the Company prepared in accordance with Accounting Standards for Business Enterprises. The comparative figures of 2006 have been retrospectively adjusted in accordance with the "Accounting Standards for Business Enterprises No. 38 – First time adoption of Accounting Standards for Business Enterprises", and restated in accordance with Accounting Standards for Business Enterprises.

The reconciliation items to reconcile the consolidated shareholders' equity as at 1 January 2006, 30 June 2006 and 31 December 2006 under Previous Accounting Standards and Accounting Systems to the equity under Accounting Standards for Business Enterprises are as follows:

	1 January 2006	30 June 2006	31 December 2006
The amount in accordance with Previous Accounting Standards and Accounting Systems	39,081,551,960	38,079,113,983	41,783,022,106
Investment differences of long-term equity investments			
– investment differences arising from business combinations under common control	(1,646,071,688)	(1,534,123,779)	(1,422,175,870)
Business Combinations			
– carrying amount of goodwill arising from business combinations under common control	(29,546,356)	(27,309,214)	(25,072,072)
– carrying amount of negative goodwill arising from business combination not under common control	1,236,391,816	1,112,752,635	989,113,454
Financial assets at fair value through profit or loss and available-for-sale financial assets	749,369,049	780,734,106	1,322,649,519
Income tax	(216,658,217)	(131,155,410)	(167,560,535)
Including: deferred income tax assets	113,374,781	181,864,321	208,748,723
deferred income tax liabilities	(330,032,998)	(313,019,731)	(376,309,258)
The amount of above-referred adjustments attributable to minority interests	36,134,126	33,603,817	36,740,898
The balance of minority interests under Previous Accounting Standards and Accounting Systems transferred to shareholder's equity	4,934,649,003	5,338,125,110	6,062,766,865
Total of first time adoption adjustments	5,064,267,733	5,572,627,265	6,796,462,259
The amount in accordance with Accounting Standards for Business Enterprises	44,145,819,693	43,651,741,248	48,579,484,365

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

13. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES *(Cont'd)*

The reconciliation items to reconcile the consolidated net profit for the year ended 31 December 2006 and for the six months ended 30 June 2006 under Previous Accounting Standards and Accounting Systems to the net profit restated in accordance with Accounting Standards for Business Enterprises are as follows:

	For the year ended 31 December 2006	**For the six months ended 30 June 2006**
The amount in accordance with Previous Accounting Standards and Accounting Systems	5,550,381,540	1,986,250,450
Investment differences of long-term equity investments		
– investment differences arising from business combinations under common control	223,895,818	111,947,909
Goodwill		
– goodwill arising from business combinations under common control	4,474,284	2,237,142
– negative goodwill arising from business combinations not under common control	(247,278,362)	(123,639,181)
Financial assets at fair value through profit or loss and available-for-sale financial assets	146,661,121	39,059,188
Income tax	113,286,032	83,950,571
Including: deferred income tax assets	95,373,940	68,489,537
deferred income tax liabilities	17,912,092	15,461,034
Effect of minority interests	606,772	(2,530,309)
Minority interests transferred in	895,038,223	414,872,337
The amount in accordance with Accounting Standards for Business Enterprises	6,687,065,428	2,512,148,107

(All amounts are stated in RMB Yuan unless otherwise stated)

13. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES *(Cont'd)*

(2) The reconciliation items to reconcile the restated net profit of 2006 and the six months ended 30 June 2006 in accordance with Accounting Standards for Business Enterprises to the pro forma net profit of 2006 and the six months ended 30 June 2006 as if the Accounting Standards for Business Enterprises were effective from 1 January 2006 are as follows:

	For the year ended 31 December 2006	**For the six months ended 30 June 2006**
The amount restated in accordance with Accounting Standards for Business Enterprises	6,687,065,428	2,512,148,107
Capitalization of borrowing costs of general borrowings	196,826,772	85,290,369
Reversal of the amortization of investment differences arising from business combinations not under common control	144,368,971	72,184,486
Minority interests effects	27,752,054	16,849,972
Others	63,831,828	36,489,638
The pro forma net profit as if Accounting Standards for Business Enterprises were adopted from 1 January 2006	7,119,845,053	2,722,962,572

For the six months ended 30 June 2007
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

14. NET PROFIT AFTER DEDUCTING NON-RECURRING ITEMS

	For the six months ended 30 June	
	2007	2006
Net profit	**3,134,222,077**	2,512,148,107
Add: Loss/(profit) from disposals of non-current assets	**13,100,616**	(694,877)
Less: Other operating income/expenses, net	**(11,609,515)**	(5,695,143)
income tax expense related to non-recurring items above	**(789,859)**	705,462
Net profit after deducting non-recurring items	**3,134,923,319**	2,506,463,549

Basis of preparing non-recurring items breakdown

In accordance with "Q & A on Disclosures of Information of public listed companies No.1- non-recurring items", unusual income/expenses refer to those transactions or events from which loss or income resulted are not directly related to business operations or those which are related to business operation but affect the fair presentation of the Company's operations and profit-making ability.

For the six months ended 30 June 2007
(Prepared on consolidation basis: all amounts are stated in RMB Yuan unless otherwise stated)

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The consolidated financial statements, which are prepared by the Company and its subsidiaries in conformity with the Accounting Standards for Business Enterprises (the "PRC GAAP"), differ in certain respects from IFRS. Major differences between PRC GAAP and IFRS, which affect the net income and net assets of the Company and its subsidiaries, are summarized as follow:

	Net Income For the six months ended 30 June	
	2007	2006 (Note 1) (Restated)
Net profit under PRC GAAP	**3,134,222,077**	2,512,148,107
Impact of IFRS adjustments:		
Effect of recording the amounts received in advance based on rate making process (a)	**5,213,571**	(26,683,723)
Difference in the accounting treatment on housing losses of the Company and its subsidiaries (b)	**(19,316,013)**	(19,542,641)
Difference on depreciation of borrowing costs capitalized in prior years (c)	**(13,778,881)**	103,753,858
Effect of recording the deemed disposal of 11% equity interest in Sichuan Hydropower (h)	**17,864,278**	—
Recording negative goodwill arising from the acquisition of 20% equity interest in Huaneng Finance (g)	**—**	24,757,864
Difference in accounting treatment on issuance cost of short-term bonds (d)	**(9,512,329)**	11,029,847
Effect of fair value adjustments on subsidiaries and associates acquired in previous years (f)	**(148,894,508)**	(171,121,853)
Applicable deferred income tax impact of the above GAAP differences (j)	**90,571,528**	19,404,117
Others	**1,148,476**	77,319,275
Profit under IFRS	**3,057,518,199**	2,531,064,851

For the six months ended 30 June 2007
(Prepared on consolidation basis: all amounts are stated in RMB Yuan unless otherwise stated)

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") *(Cont'd)*

	Net Assets	
	30 June 2007	31 December 2006 (Note 1) (Restated)
Net assets under PRC GAAP	**46,457,983,363**	48,579,484,365
Impact of IFRS adjustments:		
Effect of recording the amounts received in advance based on rate making process (a)	**(1,202,562,218)**	(1,207,775,789)
Difference in the accounting treatment on housing losses of the Company and its subsidiaries (b)	**(27,976,207)**	(8,660,194)
Difference on borrowing costs capitalized in prior years (c)	**479,176,762**	500,608,622
Difference in accounting treatment on issuance cost of short-term bonds (d)	**—**	9,512,329
Difference in recognition of professional fees incurred on acquisitions (e)	**59,510,756**	59,510,756
Effect on minority interests of recording fair value adjustments upon acquisitions (i)	**911,617,248**	1,636,361,612
Effect of recording the deemed disposal of 11% equity interest in Sichuan Hydropower (h)	**76,975,874**	—
Difference in reversal of investment differences and goodwill arising from business acquisitions under common control upon the first-time adoption of PRC GAAP (f)	**1,447,247,943**	1,447,247,943
Applicable deferred income tax impact of the above GAAP differences (j)	**60,981,839**	(232,613,091)
Others	**(415,592,897)**	(174,984,182)
Net assets under IFRS	**47,847,362,463**	50,608,692,371

Note (1): The Company and its subsidiaries restate the comparative figures of the six months ended 30 June 2006 and the figures as at 31 December 2006 for the First-time adoption of the Accounting Standards for Business Enterprises.

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") *(Cont'd)*

(a) Effect of recording amounts received in advance

In accordance with the tariff setting mechanism applicable to certain power plants of the Company and its subsidiaries, certain power plants of the Company and its subsidiaries receive advance payments (calculated at 1% of the cost of fixed assets) as the major repairs and maintenance cost of these power plants. Such receipts in advance are recognized as liabilities under IFRS GAAP and are recognized as revenue and gain when the repairs and maintenance is performed and the liabilities extinguished, respectively. In accordance with PRC GAAP requirements, when preparing the financial statements, revenue is computed based on actual power sold and the tariff regulated by the state, no such amounts are recorded.

(b) Difference in the accounting treatment on housing losses

The Company and its subsidiaries and HIPDC, parent company of the Company has supplied staff quarters to the employees of the Company and its subsidiaries. The Company and its subsidiaries and HIPDC sold their staff quarters to the employees of the Company and its subsidiaries at preferential prices regulated by the local housing reform office. Difference between cost of staff quarters and receipts from the employees represented housing losses, and was borne by the Company and its subsidiaries and HIPDC, respectively.

When preparing financial statements under PRC GAAP, in accordance with the relevant regulations issued by the Ministry of Finance, such housing losses incurred by the Company and its subsidiaries are fully charged to non-operating expenses as incurred. Under IFRS, such housing losses incurred by the Company and its subsidiaries are recognized on a straight-line basis over the estimated remaining average service lives of the employees.

(c) Effect of capitalization of borrowing costs

In previous years, under Previous Accounting Standards and Accounting System ("Previous PRC GAAP"), the scope of capitalization of borrowing costs is limited to specific borrowings, and therefore, borrowing costs arising from general borrowings cannot be capitalized. In accordance with IFRS, the Company and its subsidiaries capitalized borrowing costs on general borrowing costs used for the purpose of obtaining a qualifying asset in addition to the capitalization of borrowing costs on specific borrowings. From 1 January 2007 onwards, the Company and its subsidiaries adopted the PRC GAAP No. 17 prospectively, which has converged with relevant requirements under IFRS, the adjustments for this period represent the depreciation of capitalized interest included in the cost of related assets under IFRS in previous years.

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") *(Cont'd)*

(d) Difference in accounting treatment on issuance cost of short-term bonds

Under previous PRC GAAP, the issuance cost of short-term bonds is expensed as incurred. Under IFRS, such an issuance cost is included in the computation of the effective interest rate and amortized over the terms of the short-term bonds.

(e) Difference in recognition of professional fees incurred on acquisition

In prior years, in accordance with the Previous PRC GAAP, the professional fees directly attributable to the acquisition of subsidiaries and associates should be expensed as incurred. In accordance with IFRS , such professional fees should be included in the costs of the combination and therefore capitalized.

(f) Effect of Acquisitions of Entities under Common Control

Huaneng Group is the controlling parent company of HIPDC, which in turn is also the controlling parent of the Company.

The Company carried out the following acquisitions from Huaneng Group and HIPDC:

(i) 70% equity interest in Shidongkou I Power Plant, 70% equity interest in Taicang Power Company and all of the assets and liabilities of Changxing Power Plant from Huaneng Group in July 2002;

(ii) 55% equity interest in Qinbei Power Company, 60% equity interest in Yushe Power Company and all of the assets and liabilities of Xindian Power Plant from Huaneng Group in October 2003;

(iii) 60% equity interest in Luohuang Power Company, 55% equity interest in Yueyang Power Company, 90% equity interest in Jinggangshan Power Plant and all of the assets and liabilities of Yingkou Power Plant from HIPDC and from Huaneng Group in July 2004; and

(iv) 60% equity interest in Sichuan Hydropower and 65% equity interest in Pingliang Power Company from Huaneng Group in January 2005.

As the acquired companies and power plants and the Company and its subsidiaries were under common control of Huaneng Group before the acquisition, such acquisitions are regarded as common control acquisition transactions.

For the six months ended 30 June 2007
(Prepared on consolidation basis: all amounts are stated in RMB Yuan unless otherwise stated)

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") *(Cont'd)*

(f) Effect of Acquisitions of Entities under Common Control *(Cont'd)*

In prior years, under previous PRC GAAP, acquisitions of less than 100% equity interests in power plants or companies are accounted for at cost. The excess of consideration over the share of book value of the net assets acquired was recorded as equity investment difference and amortized on a straight-line basis for not more than 10 years. Acquiring the entire equity of a company or the entire assets and liabilities of companies / power plants applies a method similar to purchase accounting as the accounting treatment, goodwill arising from such transactions is amortized over the estimated useful lives on a straight-line basis. In accordance with PRC GAAP, equity investment differences and goodwill arising from common control acquisitions are offset against opening retained earnings on 1 January 2007.

Under IFRS, the Company and its subsidiaries adopted the purchase method to account for the above acquisitions. Under the purchase method, the operating results of the acquired businesses are included in the results of operations of the Company and its subsidiaries from the dates of the acquisitions onwards. The difference between the purchase consideration and the fair value of the underlying net assets acquired is accounted for as goodwill. Goodwill arising from all the acquisitions above is not amortized but is tested annually for impairment and carried at cost less accumulated impairment losses. Hence, the impact of depreciation and amortization expenses among Previous PRC GAAP/PRC GAAP and IFRS GAAP on income statement is different.

(g) Effect of recording negative goodwill arising from the acquisition of 20% equity interest in Huaneng Finance

Under Previous PRC GAAP, the excess of the equity portion of the net assets acquired over the total acquisition cost for the 20% equity interest in Huaneng Finance was recorded in capital surplus. In accordance with IFRS, the excess of the equity portion of the fair value of net assets acquired over the total acquisition cost for the 20% equity interest in Huaneng Finance was recorded in the income statements in current period.

(h) Effect of recording the deemed disposal of 11% equity interest in Sichuan Hydropower

In January 2007, Huaneng Group injected into Sichuan Hydropower amounting to RMB615 million, direct equity interest of Huaneng Group increased from 40% to 51% while the equity interest of the Company decreased from 60% to 49%, and thus, the Company recognized a gain on deemed disposal. Such a gain was recorded in the equity under PRC GAAP while in the income statement under IFRS GAAP.

For the six months ended 30 June 2007
(Prepared on consolidation basis: all amounts are stated in RMB Yuan unless otherwise stated)

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") *(Cont'd)*

(i) Effect on minority interests of recording fair value adjustments upon acquisitions

Under the Previous PRC GAAP, the acquired subsidiaries are recorded in the consolidated financial statements of the Company and its subsidiaries at historical cost.

In accordance with IFRS 3, the acquiree's identified assets, liabilities and contingent liabilities, except for non-current assets that are classified as held for sale in accordance with IFRS , are recorded at their fair value on the acquisition date. The differences between the fair value and historical cost of the acquiree's such identifiable assets, liabilities and contingent liabilities affect the acquiree's net assets on the acquisition date and therefore, affect the minority interests (shown as a portion of the net assets) in the consolidated financial statements of the Company and its subsidiaries.

(j) Deferred income tax impact on GAAP differences

This represents deferred income tax effect on the above GAAP differences where applicable.