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

opportunities

development

environment

2008 Annual Report

Contents

Company Profile

Huaneng Power International, Inc. (the "Company" or "Huaneng Power") and its subsidiaries are engaged in developing, constructing, operating and managing large-scale power plants throughout China. As at 31 March 2009, the Company is one of China's largest listed power producers with equity-based generation capacity of 39,203MW and controlling generation capacity of 40,939MW.

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

As at 31 March 2009, the Company wholly-owned 17 operating power plants and had controlling interests in 13 operating power plants and minority interests in 5 operating power companies. Such power plants are located in 12 provinces and two provincial-level municipalities in China. The Company also has a wholly-owned generation company in Singapore.

The core business of the Company is to develop, construct, and operate coal-fired power plants by making use of modern technology and equipment and financial resources available domestically and internationally. The Company was the first to introduce a 600MW supercritical coal-fired generating unit into China while its Huaneng Dalian Power Plant was the first one to be awarded with the honor of "First Class Coal-fired Power Plant" in China. The generating unit 1 at Huaneng Yuhuan Power Plant is the first operating single 1,000MW ultra-supercritical coal-fired generating unit in China, and so Huaneng Yuhuan Power Plant was the first domestically made 1,000MW ultra-supercritical coal-fired power plant in China that was put into commercial operation. The Company was the first power company in China to achieve listing status in New York, Hong Kong and Shanghai. The overall manpower efficiency of the Company has been remaining at the forefront in China's power industry. In 2000, the Company was conferred the honor of "First Class Power Company in China" by the State Power Corporation of China.

Throughout the years, with efforts in seeking expansion and operating the business in a prudent manner, the Company has expanded gradually, with steady profit growth and increasing competitive strengths. The success of the Company is attributable to the following competitive advantages: (1) advanced equipment, highly efficient generating units and stable operation of power plants; (2) high-quality staff and experienced management; (3) a disciplined corporate governance structure and rationalised decision-making mechanisms; (4) geographical advantages of the locations of the power plants which present promising prospects in the power market; and (5) good credit standing and reputation domestically and internationally and rich experience in the capital markets.

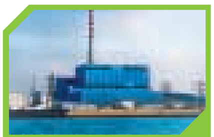
The objectives of the Company are: as a power company, strive to provide sufficient, reliable, environmental friendly and reasonably-priced electricity to the society; as a listed company, create long-term, stable and increasing returns for its shareholders; and as a first class corporation, endeavor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

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

華能國際電力股份有限公司
HUANENG POWER INTERNATIONAL, INC.

Wholly-owned Power Plants


01 Liaoning Dandong (700MW)


02 Liaoning Yingkou (1,840MW)

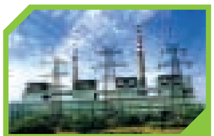

03 Liaoning Dalian (1,400MW)


04 Hebei Shang'an (2,500MW)


05 Shandong Dezhou (2,670MW)


06 Shandong Xindian (1,050MW)


07 Shandong Jining (380MW)


08 Jiangsu Nantong (1,404MW)


09 Jiangsu Nanjing (640MW)


10 Shanghai Shidongkou Second (1,200MW)


11 Shanghai Shidongkou First (1,270MW)


12 Zhejiang Changxing (260MW)


13 Jiangxi Jinggangshan (600MW)


14 Fujian Fuzhou (1,400MW)


15 Guangdong Shantou Coal-fired (1,200MW)


16 Zhejiang Yuhuan (4,000MW)

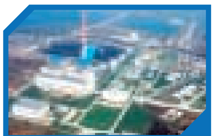

17 Shandong Rizhao Power Phase II (1,360MW)

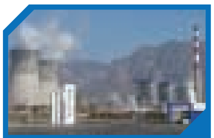

18 Singapore Tuas Power (2,670MW)

Power Companies Owned with Controlling Interests

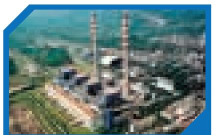

19 Shandong Weihai (640MW)


20 Shanxi Yushe (800MW)


21 Jiangsu Taicang (1,900MW)


22 Henan Qinbei (2,400MW)

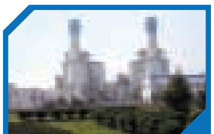

23 Jiangsu Huaiyin (1,540MW)

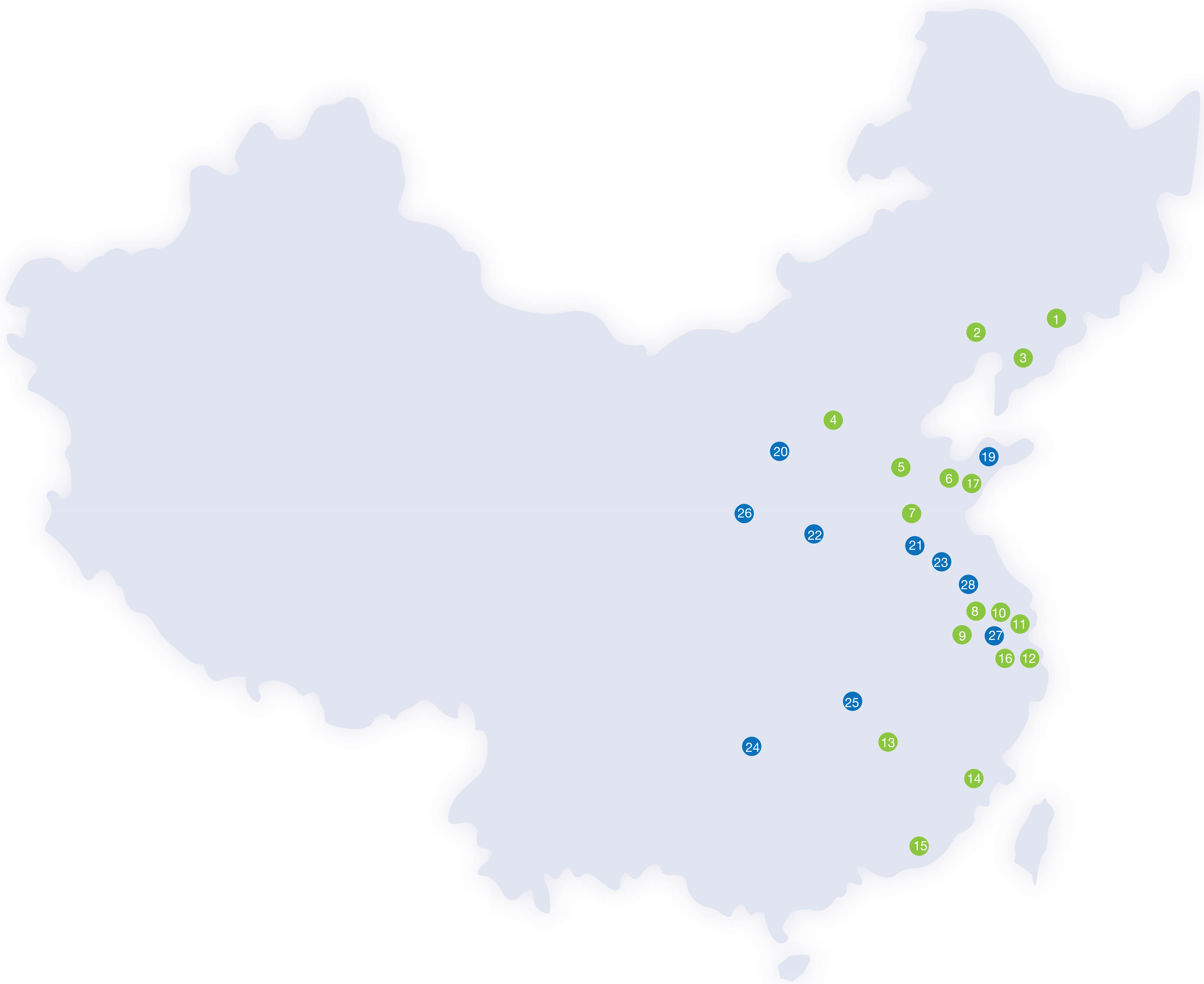

24 Chongqing Luohuang (2,640MW)


25 Hunan Yueyang (1,325MW)


26 Gansu Pingliang (1,200MW)


27 Shanghai Combined-Cycle (1,170MW)


28 Jiangsu Jinling (780MW)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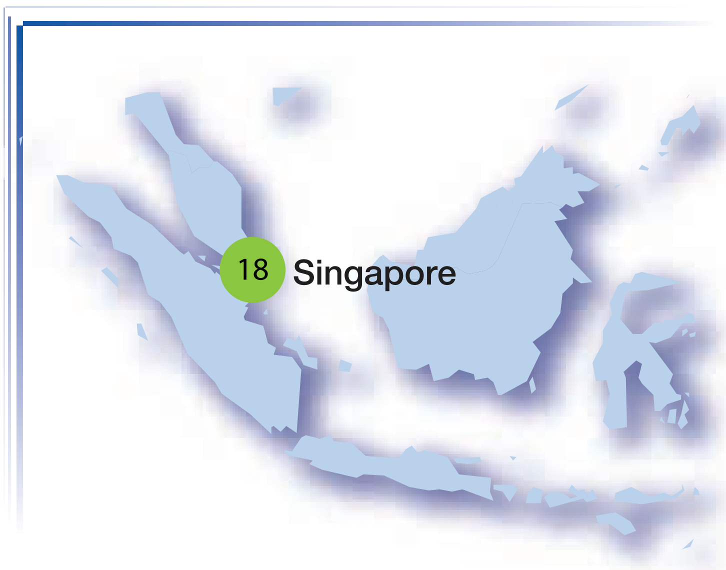

18
Singapore

Major Corporate Events in 2008

January	The Company announced an increase of 13.21% in power generation in 2007 over the previous year.
March	The Company announced the annual results for 2007, with profit attributable to equity holders of the Company under IFRS amounting to RMB6.161 billion. The Company held press conference on its annual results in Hong Kong and Shanghai respectively.
April	The Company announced that power generation in the first quarter of 2008 increased by 18.62%, compared to the same period of the previous year. The Company announced its first quarterly results for 2008. Profit attributable to equity holders of the Company under PRC GAAP was RMB242 million. The Company held a telephone conference following the announcement of its first quarterly results with analysts and fund managers within and outside of the PRC. The Company acquired from Huaneng Group 100% interests in SinoSing Power. SinoSing Power holds 100% of Tuas Power. Upon completion of the acquisition, the equity-based generation capacity of the Company increased by 2,670 MW. The Company appointed Mr. Liu Guoyue as President of the Company.
May	The first tranche of the Company's corporate bond was issued and registered with the Shanghai Stock Exchange. The basic size of this tranche was RMB4 billion. The Sixth Session of each of the Board of Directors and the Supervisory Committee of the Company was formed wherein Mr. Li Xiaopeng was elected as Chairman of the Sixth Session of the Board of Directors, Mr. Huang Yongda and Mr. Huang Long were elected as Vice Chairmen; Mr. Guo Junming as Chairman of the Sixth Session of the Supervisory Committee and Ms. Yu Ying was elected as the Vice Chairman of the Supervisory Committee.
June	Mr. Li Xiaopeng resigned from the position of Director and Chairman of the sixth session of the Board of Directors.
July	The Company announced the adjustments of tariffs of its domestic power plants. The Company announced that domestic power generation in the first half year of 2008 increased by 13.43%, compared to the same period of previous year. The Company issued short term debenture of RMB5 billion. The Company entered into a cooperation agreement with Yangquan Group Corporation regarding the establishment of "Yangquan Coal Group Huaneng Coal Power Investment Limited Liability Company" with joint capital contribution.

August	Unit 5 of Huaneng Shangan Power Plant (generating capacity of 600MW) commenced commercial operation. The Company announced the adjustments of tariffs of its domestic power plants. The Company announced its interim results for 2008, with a loss attributable to equity holders of the Company under IFRS of RMB544 million. Mr. Cao Peixi and Mr. Huang Jian were appointed as new directors of the sixth session of the Board of Directors of the Company. Mr. Cao Peixi was also appointed as Chairman of the sixth session of the Board of Directors of the Company. Mr. Huang Yongda resigned from the position of Director and Vice Chairman of the sixth session of the Board of Directors of the Company. The Company held a telephone conference following the announcement of its interim results with analysts and fund managers within and outside of the PRC.
September	Unit 6 of Huaneng Shangan Power Plant (generating capacity of 600MW) commenced commercial operation. The Company and Yingkou Port Group Limited Company jointly contributed to the establishment of "Huaneng Yingkou Port Limited Liability Company".
October	The Company announced that power generation in the first three quarters of 2008 increased by 12.73%, compared to the same period of previous year. The project of Huaneng Jinling Power Plant Phase II (generating capacity of 1,000MW) was approved. The Company announced its third quarterly results for 2008. Loss attributable to equity holders of the Company under PRC GAAP was RMB2.63 billion. The Company held a telephone conference following the announcement of its third quarterly results with analysts and fund managers within and outside of the PRC.
November	The Company arranged a reverse roadshow for analysts and fund managers within and outside of the PRC to visit Tuas Power in Singapore. *Asia Week* listed out Top 1,000 PRC Enterprises (in terms of turnover) in 2008. Among those, the Company, with a turnover of US6.630 billion, ranked 60th.
December	The Company announced that the project of Huaneng Jianggangshan Phrase II (generating capacity of 600MW) was approved The Company announced that the project of Hunan Yongzhou Xiangqi Hydro Power Plant (with a generating capacity of 80MW) was approved. The Company acquired 10% equity interests in Jiangsu Huaiyin Power Plant Phrase I for a consideration of RMB67.4366 million.

Financial Highlights

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

INCOME STATEMENT *(NOTE 1)*

	Year ended 31 December				
	2004	2005	2006	2007	2008
Operating revenue	30,150,602	40,190,004	44,301,403	49,767,849	67,563,815
Profit/(loss) before income tax expense	6,529,663	6,592,208	8,016,773	7,319,301	(4,791,556)
Income tax (expense)/benefit	(948,734)	(1,044,297)	(1,127,699)	(838,270)	239,723
Profit/(loss) after income tax expense	5,580,929	5,547,911	6,889,074	6,481,031	(4,551,833)
Attributable to:					
– Equitable holders of the Company	5,323,876	4,871,794	6,071,154	6,161,127	(3,937,688)
– Minority interests	257,053	676,117	817,920	319,904	(614,145)
Basic earnings/(loss) per share (RMB/share)	0.44	0.40	0.50	0.51	(0.33)
Diluted earnings/(loss) per share (RMB/share)	0.44	0.40	0.50	0.51	(0.33)

BALANCE SHEET *(NOTE 2)*

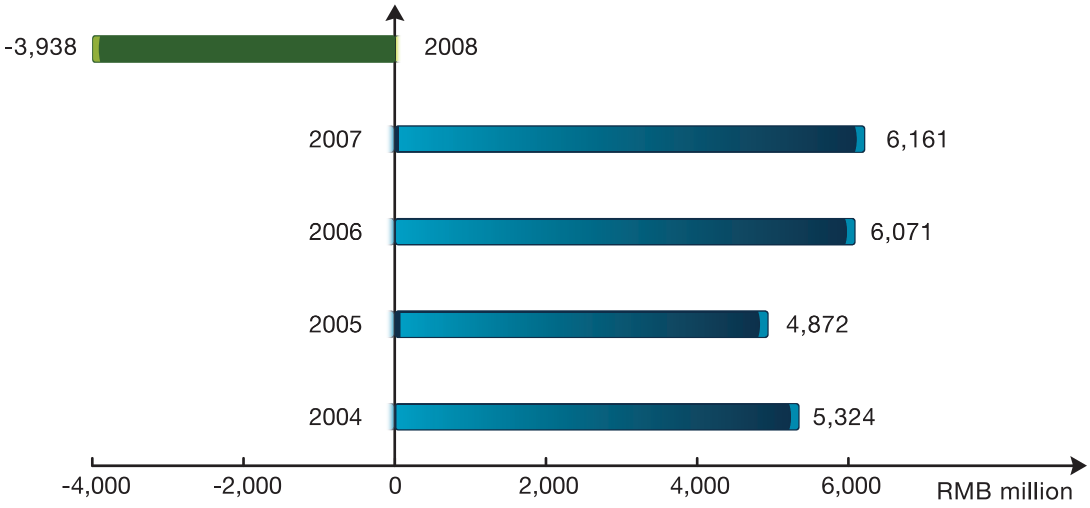
	As at 31 December				
	2004	2005	2006	2007	2008
Total assets	72,779,871	99,439,696	113,938,822	124,296,129	165,917,758
Total liabilities	(33,247,959)	(53,295,509)	(63,330,130)	(72,216,487)	(123,357,805)
Net assets	39,531,912	46,144,187	50,608,692	52,079,642	42,559,953
Equity holders of the Company	36,265,519	40,037,474	43,457,509	46,928,580	36,829,320
Minority interests	3,266,393	6,106,713	7,151,183	5,151,062	5,730,633

Notes:

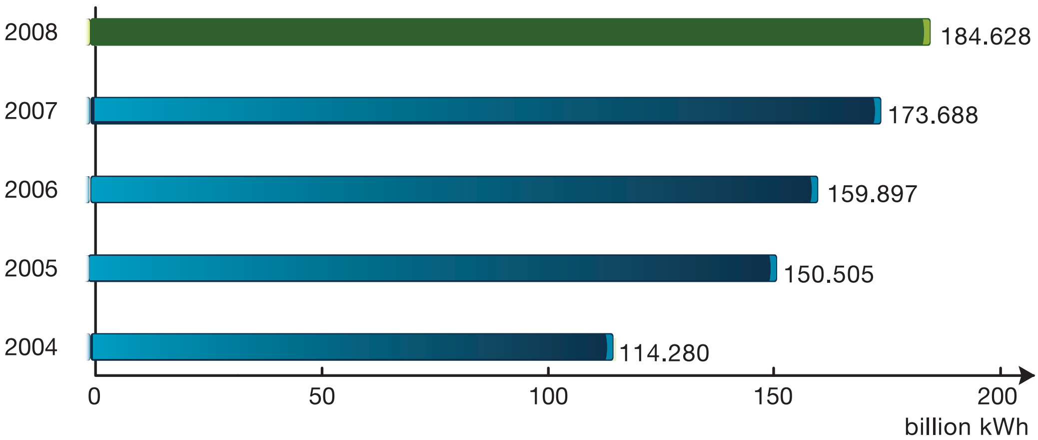
1. The results for the years ended 31 December 2004, 2005 and 2006 are derived from the historical financial statements of the Company. The results for the years ended 31 December 2007 and 2008 are set out on page 93. All such information is extracted from the financial statements prepared under International Financial Reporting Standards ("IFRS").

2. The balance sheets as at 31 December 2004, 2005 and 2006 are derived from the historical financial statements of the Company. The balance sheets as at 31 December 2007 and 2008 are set out on pages 94 to 95. All such information is extracted from the financial statements prepared under IFRS.

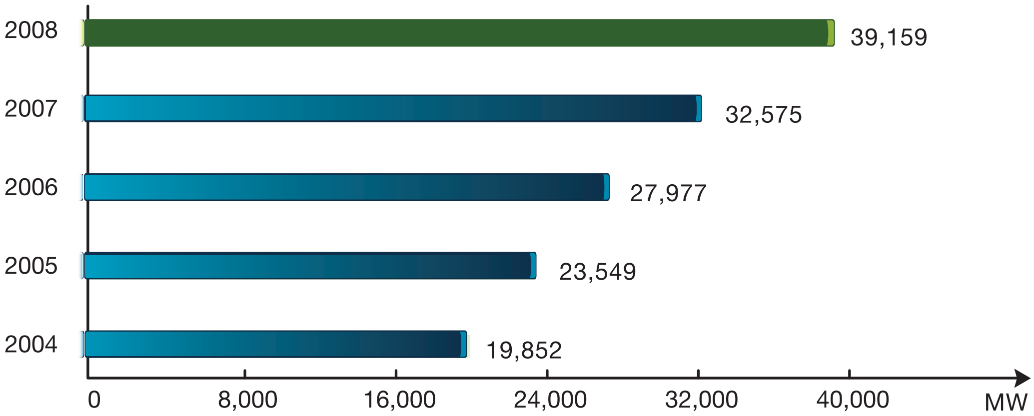
(Loss)/profit attributable to equity holders of the Company under IFRS — For the years ended 31 December



Power generation — For the years ended 31 December



Generation capacity on an equity basis — As at 31 December



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Faced with both challenges and opportunities in the current operating environment, Huaneng Power endeavored to seek growth by accelerating the development of projects in wind power, coal and port whilst continuing its expansion on thermal power projects.

To: All Shareholders,

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

Year 2008 was an extraordinary year during the development process of the Company, a year in which the Company withnessed more difficulties in its operations.Over the past year, we encountered unprecedented difficulties and challenges. Faced with the severe situation of the impact of the freezing rainstorms, snowstorms, the mega earthquake disaster in Sichuan and the international financial crisis, the management and all the staff of the Company united together, tried their best to make every effort and actively dealt with new challenges including a slowdown in power demand, the drastic surge of coal prices and the overall losses of the industry, thereby achieving new progress in safe production, energy saving, environmental protection, project development and capital operation.

In 2008, the Company recorded consolidated operating revenue of RMB67.564 billion, representing an increase of 35.76% compared to the same period of the previous year. Net loss attributable to equity holders of the Company was RMB3.938 billion. Loss per share was RMB0.33.

In 2008, the Company recorded an operating loss for the first time, mainly attributable to the impact of the drastic surge in international energy prices and tight supply of coal. Domestic coal prices recorded unprecedented high prices and the unit fuel cost of the Company increased by 46.54%, thereby bringing about tremendous pressure on the Company's operation. However, at the same time I have to point out that despite the operating loss, the Company still realized growth in other areas.

Power generation: During the whole year of 2008, the operating power plants of the Company inside the PRC achieved power generation totalling 184.628 billion kWh, representing an increase of 6.30% over the same period of 2007. Singapore Tuas Power Ltd. contributed 7.58 billion kWh to the power generation of the Company.

Project development: Four generating units of the Company commenced operation during the year and installed capacity increased by 2560MW. Development in clean energy has also made a breakthrough. The Hunan Xiangqi Hydropower project and Inner Mongolia Huade wind power project have obtained approval from the relevant departments of the State.

Asset operation: The Company completed the acquisition of Singapore Tuas Power and realized a breakthrough in entering overseas power markets by the Company which was conducive for enriching the Company's experience of operation in overseas markets and was in line with the long-term benefits of the Company.

Financing: The Company actively broadened financing channels, thereby warranting the capital requirements of the Company and providing low-cost capital support for the operation and development of the Company.

Environmental protection: The Company continued to develop generating units with high efficiency, low consumption, large capacity and high parameters and firmly pushed forward energy saving and emissions reduction work and actively fulfilled our social responsibility.

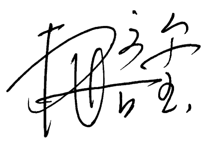
Moreover, I have to point out that innovation of projects construction obtained new achievements in 2008. Four construction projects including Chongqing Luohuang Phase III obtained the PRC Power Quality Projects Award of 2008, of which Zhejiang Yuhuan Phase I obtained the State Quality Projects Gold Award.

The Board of Directors affirmed the Company's hard-earned results of 2008.

In 2009, the Company will still face challenges including the impact of the international financial crisis and a reduction of demand for domestic power. However, Huaneng International has undergone fifteen years of development and the Company's operating scale has been continuously expanding and our competitiveness has been significantly enhanced. Accordingly, we possess the consolidated strengths to cope with risks and challenges. By virtue of our sound governance structure, advanced and efficient generating units, geographical advantages of the location of the Company's power plants, an experienced management team as well as good credit ratings and extensive capital operation experience both inside and outside the PRC, I firmly believe that we will certainly turn adversity into opportunities, and in line with our development principle of maximizing the interests of the Company and shareholders, we will realize the Company's profit target of 2009.

The current status of Huaneng Power International reflects the unswerving devotions and contributions of all the former and existing members of the Board of Directors and management teams as well as the staff. I hereby give my heartfelt thanks!

I believe that, given the continued economic growth in China, strong support from the authorities at all levels and from the parent company, and the support and trust from investors and shareholders, the Company will certainly achieve good and rapid development and create long-term, stable and increasing returns for its shareholders.



CAO Peixi
Chairman

Beijing, PRC
1 April 2009

Huaneng Power continued its development with new projects, striving for exceeding a total generation capacity of 60,000MW by year 2010.

development

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

GENERAL

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

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

A. OPERATING RESULTS

1. 2008 operating results

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

For the year ended December 31, 2008, the Company's total domestic power generation on a consolidated basis amounted to 184.628 billion kWh, representing a 6.30% increase from the year ended December 31, 2007. Yingkou Power Plant, Yuhuan Power Plant, Qinbei Power Plant and Shang'an Power Plant have recorded significant increase in power generation. The increase in the Company's domestic power generation was mainly attributable to:

(1) the commencement and stable operation of a number of new power generating units in 2008, was a key factor for the Company´s power generation growth;

(2) Based on the significant changes of economic environment in 2008, the Company enhanced its marketing efforts, including the formulation of feasible and effective marketing strategies and measures that fully show case the competitive advantages of the power plants of the Company which accelerated the growth of power generation of the Company; and

(3) the Company's maintenance program has resulted in optimizations the capacity of generating units.

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

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

For the year ended December 31, 2008, of the power generated by Tuas Power, 7.584 billion kWh was attributable to the Company.

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

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

Combining the foregoing factors, the operating revenue of the Company and its subsidiaries for the year ended December 31, 2008 increased 35.76% from last year. For the year ended December 31, 2008, the Company and its subsidiaries recorded a net loss of RMB3.938 billion, decreased 163.91% compared to the net profit of RMB6.161 billion for the year ended December 31, 2007. The loss was primarily due to the significant increase in fuel price.

2. Comparative Analysis of Operating results

2.1 Operating revenue and sale tax

Operating revenue represents amounts receivable or received from power sold after taking into account the amounts received in advance. For the year ended December 31, 2008, the consolidated operating revenue of the Company and its subsidiaries amounted to RMB67.564 billion, representing a 35.76% increase from RMB49.768 billion for the year ended December 31, 2007. The increase in operating revenue was primarily attributable to the new generating units' commencement of operation and the acquisition. The operation of new generating units contributed RMB7.011 billion to the increase, and

SinoSing Power contributed RMB10.36 billion to the increase, of which about RMB3.586 billion were revenue from retail business.

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

Sales tax mainly consists of taxes associated with value-added tax surcharges. According to relevant administrative regulations, these surcharges include City Construction Tax and Education Surcharges calculated at prescribed percentages on the amounts of the value-added tax paid. These surcharges are not applicable to direct foreign investments that have been approved by the government, thus not payable by certain power plants of the Company. For the year ended December 31, 2008, the sales tax amounted to RMB106 million, representing a 23.89% decrease from the RMB140 million for the year ended December 31, 2007.

2.2 Operating expenses

For the year ended December 31, 2008, the total operating expenses of the Company and its subsidiaries was RMB68.713 billion, representing a 64.76% increase from RMB41.706 billion for the year ended December 31, 2007.

The increase was primarily attributable to the increase in fuel prices, the operation of new generating units and the acquisition. The operation of new generating units contributed RMB6.774 billion to the increase, and SinoSing Power contributed RMB9.840 billion. Excluding these two factors, the operating expenses increased by RMB10.393 billion due to the significant increase in coal prices.

2.2.1 Fuel

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

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

2.2.2 Maintenance

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

2.2.3 Depreciation

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

2.2.4 Labor

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

2.2.5 Other operating expenses (including electricity power purchase costs)

Other operating expenses include environmental protection expenses, land fee, insurance premiums, office expenses, amortization, and SinoSing Power's electricity power purchase costs. For the year ended December 31, 2008, other operating expenses of the Company and its subsidiaries was RMB6.317 billion, representing an 183.47% increase from RMB2.229 billion for the year ended December 31, 2007. The increase was primarily attributable to the operation of new generating units and the acquisition, the operation of new operating units contributed RMB318 million. SinoSing Power contributed to the operating expenses of approximately RMB3.509 billion, of which RMB2.726 billion was electricity power purchase cost.

2.3 Financial expenses

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

2.3.1 Interest expense

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

2.3.2 Net exchange differences and bank charges

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

2.4 Share of profit of associates

For the year ended December 31, 2008, the share of profit of associates was RMB73 million, an RMB513 million decrease from RMB586 million for the year ended December 31, 2007. The decrease was primarily due to reduced profit of associates engaged in power generation caused by higher fuel price.

2.5 Enterprise Income Tax ("EIT")

The Company´s domestic operations are subject to the newly adopted PRC tax law which took effect on January 1, 2008. SinoSing Power and Tuas Power are subject to an enterprise income tax rate of 18% in Singapore. For the year ended December 31, 2008, the Company and its subsidiaries recorded an EIT expense of RMB-240 million, a 128.60% decrease compared to an EIT expense of RMB838 million for the year ended December 31, 2007. SinoSing Power contributed an RMB95 million increase in the Company's EIT expense. The decrease in EIT was mainly due to the significant operating loss qualified recognition for deferred tax assets for the year ended December 31, 2008.

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

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

2.7 Comparison of financial positions

The assets and liabilities of the Company and its subsidiaries experienced significant change in the year ended December 31, 2008, due to acquisition of SinoSing Power and continued investment in construction projects.

2.7.1 Comparison of asset items

As at December 31, 2008, total assets of the Company and its subsidiaries were RMB165.918 billion, representing a 33.49% increase from RMB124.296 billion as at December 31, 2007. Non-current assets increased by 37.97% to RMB145.900 billion, primarily due to the acquisition of SinoSing Power. Current assets increased 7.91%, to RMB20.018 billion. Current assets increased by 1.467 billion of which inventory cost increased by RMB2.851 billion due to increase in fuel prices, higher quantities of inventory and the larger operating scale of the Company, whereas cash and cash equivalents decreased by RMB1.746 billion.

As at December 31, 2008, total assets of the Company and its subsidiaries outside PRC were RMB23.859 billion, comprising non-current assets of RMB20.789 billion and current assets of RMB3.07 billion.

2.7.2 Comparison of liabilities items

As at December 31, 2008, total liabilities of the Company and its subsidiaries were RMB123.358 billion, representing a 70.82% increase from RMB72.216 billion as at December 31, 2007, primarily attributable to the acquisition of Tuas Power and increased borrowings for construction projects. Non-current liabilities of the Company and its subsidiaries mainly consisted of bank loans, bonds and shareholder´s loans under the terms similar to those of bank loans. The increase of current liabilities was largely attributable to increased short-term loans.

As at December 31, 2008, interest-bearing debts of the Company and its subsidiaries totaled RMB109.261 billion. The interest-bearing debts consisted of long-term loans (including those maturing within a year), long-term bonds, short-term borrowings, short-term bonds and notes payable. The interest-bearing debts denominated in foreign currencies were RMB11.797 billion.

As at December 31, 2008, liabilities of the Company and its subsidiaries outside PRC totaled RMB17.771 billion, comprising non-current liabilities of RMB5.183 billion and current liabilities of RMB12.588 billion.

2.7.3 Comparison of equity items

Excluding the impact of profit and dividends, the Company's equity items decreased in the year ended December 31, 2008, primarily attributable to pre-tax reduction of RMB2.085 billion for decreased fair value of the listed shares the company held.

2.7.4 Major financial position ratios

	2008	2007
Current ratio	0.38	0.59
Quick ratio	0.28	0.52
Ratio of liability and shareholders' equity	3.35	1.54
Multiples of interest earned	-0.14	3.41

Formula of the financial ratios:

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

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

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

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

The current ratio and quick ratio remained at relatively low level for the years ended December 31, 2008 and 2007, and decreased at the year end of 2008 from the year end of 2007. The increase in the ratio of liabilities and shareholders' equity at the year end of 2008 from the year end of 2007 was primarily due to the acquisition of Tuas Power and the increased borrowings for construction projects. The multiples of interest earned decreased, primarily attributable to the operating loss for the year ended December 31, 2008 caused by increases in fuel prices.

B. LIQUIDITY AND CASH RESOURCES

1. Liquidity

	For the year ended December 31, 2008 RMB billion	2007 RMB billion	Change %
Net cash provided by operating activities	5.186	12.078	-57.07%
Net cash used in investing activities	-47.957	-16.257	194.99%
Net cash provided by financing activities	41.255	8.288	397.78%
Net (decrease)/increase in cash and cash equivalents	-1.516	4.109	-136.89%
Cash and cash equivalents as at the beginning of the year	7.312	3.207	128.00%
Impact of currency exchange rate	-0.229	-0.004	5245.77%
Cash and cash equivalents as at the end of the year	5.567	7.312	-23.87%

For the year ended December 31, 2008, net cash provided by operating activities of the Company and its subsidiaries was RMB5.186 billion, of which RMB1.199 billion was provided by operating activities outside PRC. The cash used in investing activities was mainly for acquisition of Tuas Power and increased capital expenditure for construction projects. This also led to the increase of borrowings. The Company expects to continue its focus on construction projects in 2009.

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

As at December 31, 2008, net current liabilities of the Company and its subsidiaries were approximately RMB32.5 billion. Based on the Company´s proven financing record, readily available banking facilities and sound credibility, the Company believes it is able to duly repay outstanding debts, obtain long-term financing and secure funding necessary for its operations. The Company has also capitalized on its good credit record to make short-term borrowings at relatively lower interest rates, thus reducing its interest expenses.

2. Capital expenditure and cash resources

2.1 Capital expenditures on acquisitions

SinoSing Power was incorporated in Singapore by Huaneng Group as a wholly owned subsidiary on March 10, 2008. On March 24, 2008, SinoSing Power acquired 100% equity interests in Tuas Power from Temasek Holdings (Private) Limited ("Temasek"). On April 29, 2008, the Company entered into a transfer agreement with Huaneng Group, pursuant to which the Company agreed to acquire from Huaneng Group the 100% equity interest in SinoSing Power. The consideration to be paid by the Company comprised (i) approximately US$985 million for capital investment in SinoSing Power by Huaneng Group; and (ii) an aggregate amount of approximately RMB176 million for all related expenses (including loan interest) directly incurred by Huaneng Group in relation to its acquisition of the 100% equity interest in Tuas Power. The consideration totaled RMB7.08 billion.

2.2 *Capital expenditure on construction and renovation projects*

The capital expenditures for the year ended December 31, 2008 were approximately RMB27.986 billion, mainly used in construction and renovation projects, including RMB1.406 billion for Yuhuan project, RMB52 million for Luohuang expansion project, RMB40 million for Xindian expansion project, RMB61 million for Shanghai CCGT project, RMB134 million for Huaiyin expansion project, RMB975 million for Yueyang expansion project, RMB1.242 billion for Yingkou expansion project, RMB779 million for Qinbei expansion project, RMB1.127 billion for Shang'an expansion project, RMB1.682 billion for Rizhao expansion project, RMB3.806 billion for Haimen project, RMB1.177 billion for Jinggangshan expansion project, and RMB2.725 billion for Nanjing Jinling expansion project. The expenditures on construction projects outside PRC, other construction projects and renovation were RMB281 million, RMB8.294 billion and RMB4.205 billion, respectively.

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

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

(unit: RMB billion)

	Capital expenditure arrangement 2009	Capital expenditure arrangement 2010	Contractual arrangement 2009	Contractual arrangement 2010	Financing methods	Cash resources arrangements	financing costs and note on use
Thermal power projects	21.586	23.0	21.586	23.0	Debt financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Hydropower projects	0.5	0.3	0.5	0.3	Debt financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Wind power projects	3.56	6.5	3.56	6.5	Debt financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Port projects	0.6	1.5	0.6	1.5	Debt financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Coal mining projects	1.164	5.8	1.164	5.8	Debt financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Reservoir projects	0.83	0.6	0.83	0.6	Debt financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Technical renovation projects	4.927	—	4.927	—	—	Internal cash resource	—

2.3 Cash resources and anticipated financing costs

The Company expects to finance its capital expenditure and acquisition costs primarily from internal capital, cash flow from operating activities and debt and equity financing.

Good operating results and sound credit status provide the Company with strong financing capabilities. As at December 31, 2008, the Company and its subsidiaries had aggregate undrawn banking facilities of RMB28.1 billion.

As resolved at the 2007 annual general meeting of shareholders on May 13, 2008, the Company was mandated to issue within the PRC short-term bonds of principal amount up to RMB10 billion in one or multiple tranches within 12 months from the date of the meeting. The Company has completed the issue of short-term bonds in two installments on July 25, 2008 and February 24, 2009, each at principal amount of RMB 5 billion bearing annual interest rate of 4.83% and 1.88%, respectively. Both of the bonds were denominated in RMB, issued at par value, and would mature in 365 days. The effective interest rates for the two bonds were 5.25% and 2.29% per annum, respectively.

Unsecured short-term bonds amounting to RMB5 billion that the Company and its subsidiaries issued in 2007 were due for repayment in August 2008. Effective interest rate on these bonds is 4.26% per annum.

As at December 31, 2008, short-term borrowings of the Company and its subsidiaries totaled RMB28.745 billion (2007: RMB11.670 billion). Borrowings from banks were charged at interest rates ranging from 1.42% to 7.47% per annum (2007: 4.35% to 6.72%). Short-term bonds payable by the Company and its subsidiaries totaled RMB5.096 billion.

As at December 31, 2008, SinoSing Power's short-term borrowings totaled approximately RMB10.678 billion, all being floating-rate bank borrowings denominated in Singapore dollar. SinoSing Power's aggregate outstanding balance was approximately 2.246 billion Singapore dollars, with interest rates ranging from 1.42% to 2.25% per annum.

As at December 31, 2008, long-term bank loans of the Company and its subsidiaries totaled approximately RMB62.509 billion (2007: approximately RMB34.732 billion), consisting of bank borrowings denominated in Renminbi of approximately RMB50.113 billion (2007: approximately RMB30.684 billion), in US dollars of approximately US$1.634 billion (2007: approximately US$465 million), and in Euro of approximately Euro 56 million (2007: approximately Euro 61 million). Included in the above US dollar denominated borrowings were approximately US$1.312 billion (2006: US$47 million) floating-rate borrowings. For the year ended December 31, 2008, long-term bank borrowings of the Company and its subsidiaries bore interest rates from 2% to 7.74% (2007: 2% to 7.05%) per annum.

As at December 31, 2008, long-term shareholder´s borrowings of the Company and its subsidiaries totaled RMB2.80 billion (2007: RMB2.80 billion). For the year ended December 31, 2008, these borrowings bore interest rates from 4.32% to 5.67% (2007: 4.32% to 5.67%) per annum.

As at December 31, 2008, other long-term borrowings of the Company and its subsidiaries were approximately RMB264 million (2007: approximately RMB126 million). These borrowings included borrowings denominated in Renminbi of RMB130 million (2007: nil), in US dollar of approximately US$7 million (2007: approximately US$10 million), in Japanese Yen of approximately JPY595 million (2007: approximately JPY833 million), and in Singapore dollar of approximately 8 million dollars. The US dollar, Japanese Yen and Singapore dollar borrowings were all calculated at floating interest rates. For the year ended December 31, 2008, other long-term borrowings of the Company and its subsidiaries bore interest rates from 1.31% to 5.87% (2007: 5.80% to 5.87%) per annum.

As at December 31, 2008, SinoSing Power's long-term bank borrowings totaled approximately RMB4.045 billion, including borrowings denominated in US dollar of approximately US$490 million and in Singapore dollar of approximately 146 million dollars. For the year ended December 31, 2008, SinoSing Power´s long-term borrowings bore interest rates from 2.41% to 3.81% per annum.

As at December 31, 2008, SinoSing Power's other long-term borrowings totaled approximately RMB40 million, all being floating-rate bank loans denominated in Singapore dollar. SinoSing Power's other long-term borrowings outstanding balance was approximately 8 million Singapore dollars. For the year ended December 31, 2008, SinoSing Power´s other long-term borrowings had an interest rate of 4.25% per annum.

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

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

2.4 *Other financing requirements*

The objective of the Company is to bring long-term, steadily growing returns to shareholders. In line with this objective, the Company follows a proactive, stable and balanced dividend policy. In accordance with the profit appropriation plan of the board of directors of the Company (subject to the approval of the shareholders´ meeting), the Company expects to pay a cash dividend of approximately RMB1.2055 billion relating to the year 2008.

2.5 Maturity profile of loans

(Unit: RMB billions)

Item	2009	2010	2011	2012	2013
Principal proposed to be repaid	40.3	15.0	9.7	6.3	8.9
Interest proposed to be repaid	5.7	3.7	3.1	2.6	2.0
Total	46	18.7	12.8	8.9	10.9

Note:

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

(2) The amount of the principal to be repaid in 2009 is relatively large because this includes expected repayment of short-term loans and short-term bonds.

C. TREND INFORMATION

Development trend and competitive landscape of power market

According to the National Power Industry Statistics Express for 2008 issued by China Electricity Council, as at December 31, 2008, nationwide installed capacity reached 793,000 MW, representing a 10.30% year-on-year increase. For the year ended December 31, 2008, power generating capacity throughout PRC reached 3.4334 trillion kWh, representing a 5.2% year-on-year increase. Coal-fired power accounted for 2.7793 trillion kWh, or approximately 80.95% of the total capacity, representing a 2.2% increase from the year ended December 31, 2007. A large number of power generating projects were completed and put into operation during 2008, further easing the power shortage and contributing to a generally balanced power market in China. Consequently the utilization hours of generating equipment dropped continuously and considerably. For the year ended December 31, 2008, nationwide average accumulated utilization hours of power plants with 6,000 KW and above capacities were 4,677 hours, representing a decrease of 337 hours from the year ended December 31, 2007. Utilization hours of coal-fired power generating equipment were 4,911 hours, representing a decrease of 427 hours from the same period last year.

As at December 31, 2008, the Company wholly owned 17 operating power plants and had controlling interests in 13 operating power companies and minority interests in five operating power companies in PRC. These power plants and companies are widely located in 12 provinces and two municipalities directly under the central government, including Liaoning, Hebei, Henan, Gansu, Shandong, Shanxi, Jiangsu, Zhejiang, Jiangxi, Hunan, Fujian, Guangdong, Shanghai and Chongqing. In addition, the Company wholly owned a power operating company in Singapore.

1. Significant development trend of power market

In 2009, the PRC government expects to further reform power market, promote actively and steadily the practice of direct power purchase by large power users, continue reinforcing market supervision and regulating market activities. The government also expects to continue promoting energy-saving power generation and dispatch practice on pilot basis. China´s State Electricity Regulatory Commission is actively studying the effective integration of energy-saving power generating and dispatching practices with power market development. The related practices are under research and formulation, and pilot programs in this regard are under way in certain provinces. The government´s commitment to saving energy and reducing emission will have significant impact on the development of China's power market. In addition, the tariff reform has been included as a reform target in 2009, which includes promoting the price reform of resource products, continuing tariff reform and improving gradually the on-grid tariff, transmission tariff and distribution tariff mechanism, so as to rationalize the relationship between coal price and tariff.

2. The trend of fuel supply

Coal supply shortage is expected to ease in 2009. However, due to pricing differences, coal suppliers and power producers have not entered key supply contracts for the year ended December 31, 2009, which makes the amount and price of coal supply likely to be unstable and uncertain.

3. The financial and foreign exchange market

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

Domestic market. The People's Bank of China has reduced RMB benchmark lending interest rates for five consecutive times from September to the end of 2008 to counteract the impact of international financial crisis on China's economy. Chinese government is expected to implement appropriately liberated monetary policies during 2009, thus creating a favorable environment for the Company to control financing costs. The Company expects no material adverse impact on its operating results from foreign exchange movement in foreseeable future on the Company, because the Company's foreign liabilities are mostly denominated in US dollar and lesser in Euro and the conversion rate between Renminbi and US dollar is expected to stay stable.

International market. As the results of the global financial crisis, an economic cycle characterized by sustained interest rate reduction emerged in 2008 as major economies had all reduced its interest rates substantially as part of its efforts to prevent economic recession. The Company may be exposed to certain interest rate risks in obtaining refinancing for overseas operations in a market marked by scarce liquidity. As affected by the ongoing financial crisis, Singapore dollar has depreciated substantially against US dollar since the second half of 2008 and is expected to continue downward during 2009. This would make it difficult for the Company to control its exposure to exchange risks from operations outside PRC.

D. PERFORMANCE OF SIGNIFICANT INVESTMENTS AND THEIR PROSPECTS

The Company acquired 25% equity interest in Shenzhen Energy Group Co., Ltd. ("Shenzhen Energy Group") for RMB2.39 billion on April 22, 2003, and acquired 200 million shares from Shenzhen Energy, a subsidiary of Shenzhen Energy Group, in December 2007. These investments brought a profit of RMB245 million for the Company for the year ended December 31, 2008 under IFRS. After Shenzhen Energy acquired most of its assets by way of designated share placement, Shenzhen Energy Group will be liquidated. Upon Shenzhen Energy Group's liquidation, the Company will hold directly 25.01% equity interest in Shenzhen Energy. This investment is expected to provide steady returns to the Company.

The Company held directly 60% equity interest in Sichuan Hydropower as at December 31, 2006. In January 2007, Huaneng Group increased its capital investment in Sichuan Hydropower by RMB615 million, thus reducing the Company´s equity interest in Sichuan Hydropower to 49% and making Huaneng Group the controlling shareholder of Sichuan Hydropower. This investment brought a loss of RMB19 million for the year ended December 31, 2008 under IFRS, largely due to the loss incurred by Taipingyi Power Plant, a subsidiary of Sichuan Hydropower, in the earthquake in Wenchuan. This investment is expected to provide steady returns to the Company.

E. EMPLOYEE BENEFITS

As at December 31, 2008, the Company and its subsidiaries had 28,130 employees, of which 252 were located outside PRC. The Company and its subsidiaries provided employees with competitive remuneration and linked such remuneration to operating results as incentives to motivate the employees. Currently, the Company and its subsidiaries do not have any non-cash remuneration packages.

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

F. GUARANTEE ON LOANS AND RESTRICTED ASSETS

As at December 31, 2008, the Company provided guarantee for long-term bank borrowings of SinoSing Power, a wholly owned subsidiary, amounted to RMB4.045 billion, and for the long-term bank borrowings of Rizhao Power Company, an associate of the Company, amounted to RMB44 million.

As at December 31, 2008, the Company and its subsidiaries have pledged for the following borrowings:

- A bridge loan provided to SinoSing Power in the first half of 2008, pledged against the SinoSing Power's equity ownership in Tuas Power. As at December 31, 2008, the balance of the loan was approximately RMB10.678 billion, and the pledged equity interest was valued at approximately RMB19.999 billion.

- A short-term loan borrowed at the second half of 2008, pledged against the trade receivables from Liaoning Provincial Power Company. As at December 31, 2008, the balance of the loan was RMB500 million, and the pledged trade receivables were valued at approximately RMB505 million.

As at December 31, 2008, secured short-term loans of RMB885 million represented the discounted notes receivable with recourse.

As at December 31, 2008, restricted bank deposits amounted to RMB199 million, which were mainly deposits for letters of credits.

The Company had no contingent liabilities as at December 31, 2008.

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

No changes in accounting policies happened during the year ended December 31, 2008 that will have a material impact on the financial statements of the Company.

H. GOODWILL IMPAIRMENT

The Company and its subsidiaries conduct goodwill impairment test at the end of each fiscal year. As at December 31, 2008, the goodwill of the Company and its subsidiaries was impaired for RMB130 million, which were presented the goodwill relating to Huaiyin Power Company recorded at the consolidated financial statements. The management expects to shut down generators of Huaiyin Power Company in the future, full impairment of related goodwill was provided based on the result of impairment test.

As at December 31, 2008, the goodwill of the Company and its subsidiaries totaled RMB11.108 billion. China's overall economic projection, expected tariff rates and fuel prices will affect the results of goodwill impairment test. As at 31 December 2008, if tariff had decreased by 1% or 5% from management's estimates with other variables constant with the expectations, the Company and its subsidiaries would have to further recognize impairment against goodwill by approximately RMB85 million and RMB1,024 million, respectively. If fuel price had increased by 1% or 5% from the management's estimates with other variables constant with the expectations, the Company and its subsidiaries would have to further recognize impairment against goodwill by approximately RMB41 million and RMB229 million, respectively.

I. RISK FACTORS

The development of power industry is affected by the change of macro economic policies because of the direct correlation between economic growth and power demand.

Power demand in PRC is expected to rise steadily as these macro economic policies materialize during 2009. Certain policies on power industry are to be implemented in 2009, thus bringing both growth opportunities and intensified competition to power producers in China.

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

1. Risks relating to power market

Chinese economy expects to experience serious challenges amid a worsening economic environment globally. In response to these challenges, the PRC government has initiated a wide range of sector-specific stimulus plans as well as policies to ensure growth, expand domestic demand and improve economic structure. These plans and policies expect to be steadily implemented and accordingly add new impetus for the growth of China´s economy. In 2009, the Company expects to certain risks including intensified competition and reduced utilization hour of generating units in power market.

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

2. Risks relating to coal supply market

Coal supply market is subject to significant uncertainty and instability because key coal supply contracts have not been signed yet, thus creating new challenges to coal supply and pricing in 2009.

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

3. **Risks relating to energy saving and environment protection requirements**

The PRC government expects to issue amended requirements on energy saving and environment protection, and also to impose higher charges on waste and pollutants emissions. These requirements and charge rises will increase the Company´s production costs and capital expenditure.

To strictly comply with the government's policies and regulations on energy saving and environment protection, the Company will apply advanced technologies; develop advanced, highly capable and effective coal-fired generating units; improve renovating existing generating units; and phase out outdated capabilities; so as to effectively reduce pollutant emission and control costs on energy saving and environment protection.

4. **Financial risks**

The power sector in which the Company operates is capital intensive and boasts high value assets and liabilities. The Company is exposed to interest rate and exchange rate risks arising from Chinese government´s adjustment of monetary policies, changes in China´s financial market and fluctuation in international financial market.

(1) *Interest risk*

RMB-denominated debts accounting for the major proportion of the the Company's debts for domestic operations. The benchmark lending interest rate published by the People's Bank of China ("PBOC") will directly affect on the Company's borrowing costs. The RMB interest rates are in a downward trend and expect to not have adverse impact on the Company's debt costs in foreseeable future. Foreign currency denominated debts are denominated mostly in US dollar. Substantially all US dollar denominated debts are floating interest rate. US dollar interest rates are at a lower level at present and are not expected to change significantly, thus unlikely to have adverse impact on the Company´s debt costs in the foreseeable future.

The Company's debts for overseas operations consisted of US dollar and Singapore dollar denominated borrowings and most of which were floating interest rates. US dollar and Singapore dollar interest rates are at a lower level and this trend is not expected to change significantly, thus unlikely to have adverse impact on debt costs in the foreseeable future.

(2) *Exchange rate risk*

For domestic operations, in 2009, the global financial crisis is on going, a potion of the borrowings of the Company denominated in US dollar and Euro are yet to mature. Fluctuations in foreign exchange rates will cause exchange gain or loss. The Company expects no significant impact from the change of exchange rates recently, because the proportion of foreign borrowings in total borrowings is not high.

For oversea operations, there is exchange fluctuation between Singapore dollar and US dollar. Tuas Power has entered forward exchange contracts to hedge against its exposure to potential exchange risks. For the year ended December 31, 2008, the above hedges had increased the Company and its subsidiaries´ equity before tax of approximately RMB147 million and net profit of approximately RMB160 million.

The Company will mitigate interest rate risk by reinforced capital management, effectively utilized capital and expanded funding channels. The Company will keep monitoring the fluctuation of foreign exchange market closely. The Company is confident that it will be able to manage interest rate risk and foreign exchange risk by further improving its procedures on identifying, analyzing, reporting and controlling financial risks and reacting to the market changes proactively.

J. BUSINESS PLAN

In 2009, the primary objective of the Company is to turn a loss into a gain, the Company will:

Continue to pursue power market expansion, strengthen market analysis and forecast, strive to increase utilization hours and to generate approximately 190.0 billion kWh and reach average utilization hours of 4,900 hours for its coal-fired generating units; strengthen the uniform management of fuel purchases and transportation, stabilized the principal channels of coal supply; pursue global coal market expansion and reduce fuel costs; continue its focus on energy saving and environment protection, reducing consumptions of individual generating unit, striving for the commercial operation of new generation units of 3,712 MW for laying a solid foundation for long term development, ensuring good results of major economic indicators; improve management of construction, reinforce the preliminary work for new projects; comply with the government's energy policies and requirements for renewable energy. The Company will undertake wind power investments, development construction other than coal-fired power generation capacity.

To meet 2009 operating target, the Company will be committed to the principles of "people first, safe development" and safe production guidelines of "safety first, precaution crucial and integrated management" and to enhance the reliability of the generating units; reinforce marketing strategies and make active marketing efforts to explore all markets available, so as to improve generating units' utilization hours; the Company will continuously analyze the change of fuel market to strengthen coal supply planning, distribution and emergency response management, to adjust coal inventory constantly and to optimize the coal supply structure and control its fuel costs; the Company will further exploit potentials on budget management to control related cost and expenses; implement measures to save energy and renovate existing generating units with new technologies to increase efficiency and reduce consumptions; the Company will strengthen the management of projects in progress to accelerate constructions and ensure timely completion of projects in progress to increase profitability; the Company will reinforce the preliminary work for new projects and devote more resources to developing projects in the areas with strong power demand and rich coal resources with the management development strategy, the Company will investments and development of wind power and other clean energy projects, with the view to increase the proportion of renewable and new energies in its power generating capacity, improve generating structure to ensure the sustainable development.

Through continued efforts to save energy, reduce emission, improve structure and increase efficiency, the Company strives to achieve the following objectives by 2010: installed capacity over 60,000 MW; controllable coal supply capacity of 50 million tons per year; port coal storage, transportation and transmit capacity of over 40 million tons per year; and ocean coal transportation capacity of over 30 million tons per year.

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 strive for the generation of long-term, stable and growing returns for shareholders.

The Board of Directors has reviewed the effectiveness of the internal control systems of the Company and its subsidiaries. During the reporting period, the Company conducted a self-assessment of internal controls, and prepared an annual self-assessment report of internal controls on this basis. The Company has complied with the provisions of the Code of Corporate Governance Practices in Appendix 14 to the Hong Kong Listing Rules in this accounting year.

(A) CODE OF CORPORATE GOVERNANCE

In recent years, the Company adopted the following measures in order to strengthen corporate governance and enhance the Company's operation quality:

(1) Enhancing and improving corporate governance

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

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

(2) Enhancing and improving the information disclosure system

The Company has been stressing the importance of external information disclosure. The Company has established the Information Disclosure Committee which comprises managers of various departments and headed by the Vice President and the Chief Accountant, and is responsible for examining the Company's regular reports. The Company has implemented the system of holding regular information disclosure meetings every Monday chaired by the Vice President and the Chief Accountant who will report on the Company's important matters of the week, thereby warranting the Company's performance of the relevant information disclosure obligations. The Company has successively formulated and implemented the relevant information disclosure system, and has made timely amendments thereto according to regulatory requirements. The current systems which have been implemented include the Measures on Information Disclosure Management, the Measures on Investor Relations Management, the Detailed Rules on the Work of the Information Disclosure Committee, the Interim Provisions on the Work Procedures of Capital Operation and the Rules on the Management of the shares held by the directors, supervisors and senior management of Huaneng Power International, Inc. and other regulations. Relevant departments of the Company compiled answers (and subsequent updates) to questions regarding the hot topics of market concerns, the Company's production, operation and operating results in a timely manner, which shall become the basis of external communication after being approved by the Company's management and the authorized representatives of the Information Disclosure Committee. Also, the Company engages professional personnel to conduct specialised training for the staff of the Company responsible for information disclosure on an irregular basis in order to continuously enhance their level of professionalism.

(3) Regulating financial management system, strengthening internal control

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

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

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

3. In 2003, the Company initiated an all-rounded plan to enhance the internal management, in order to establish a sound internal control system for the Company, to achieve an efficient operating effect for ensuring the reliability of financial reports, and to effectively enhance the capability of risk prevention. For the past six year, the Company had established an internal control strategic plan and highlighted the targets for internal control. Through the implementation of internal control cork in full force, the continuing improvement in the Company's development power, competitive edge and risk resistance power, the Company has visualised the strategic targets, established a system for internal control and reinforced the work require for internal control systems for both the Company and the power plants. Based on the COSO control framework, the Company had established an

internal control procedure that was consistent with the management feature of the Company, designed and promulgated the internal control handbook which was identified as having the highest authority to govern the Company's internal management issues. The Company had organised various self-assessments on internal management, thereby discovering control deficiencies and implementing rectification followed by an all-rounded propaganda and training on the philosophy and knowledge for internal control.

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

On 3 April 2007, the external auditors had formally issued the auditor's report on the Company's internal control for 2006 without any qualification opinion. The Company was among the first batch of the US listed PRC enterprises which had satisfied with the requirement on internal control in the financial reports under section 404 of the Saxley Oblery Act. Since 2007. The Company has been implementing the internal control work in different steps and procedures for establishing a long term internal control system.

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

The above systems and measures have formed a sound management framework for our production and operation. The timely formulation and strict implementation of the above regulations ensures the on-going standardization of operations of the Company and gradual enhancement of corporate management quality. In 2008, the Company won the honourable acclaims of "The Best Power Generation Company in Asia", ranked the eighth in "The Best Listed Company on Shareholders' Return in Asia", "The Tenth PRC Listed Companies Gold Bull Award 100", "The Tenth PRC Listed Companies Gold Bull Award 100 – Total Operating Revenues", "The Tenth PRC Listed Companies Gold Bull Award 100 – A Share

Market Value". The above awards were conferred by authoritative publications in the investment markets by *Asia Finance* and *China Securities News*, thus establishing a good overall image for the Company in both the domestic and international capital markets.

(B) SECURITIES TRANSACTIONS BY DIRECTORS

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

(C) BOARD OF DIRECTORS

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

The Board of Directors of the Company has held twelve meetings during this reporting year including regular meetings and ad hoc meetings (including those with voting by communication), at which the resolutions regarding the Proposal of Connected Transactions in 2008, Work Report of the Board of Directors of the Company for 2007, Work Report of the President of the Company for 2007, Financial Report of the Company for 2007, Proposal of Distribution of Dividends for 2007, Proposal to renew the Auditors for the Company for 2008, Annual Report of 2007 and its summary, Proposal to convene the annual general meeting of the Company for 2007, Proposal to issue Short-term Debentures, Proposal of Issue of Corporate Bonds (Phase I) by Huaneng Power International, Inc., First Quarterly Report of 2008, Proposal of Change of Session Election of the Board of Directors, Proposal of Transfer of 100% Interest of SinoSing Power Pte. Ltd held by China Huaneng Group Company, Interim Report of 2008 and its summary, Third Quarterly Report of 2008, Proposal of Issue of Mid-term Notes, Proposal of Continuing Connected Transactions of 2009, etc.

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

Name	Number of meetings to be attended	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate (%)
Executive Directors				
Cao Peixi	3	2	1	66.67% (Attendance by proxy rate: 33.33%)
Liu Guoyue	7	6	1	85.71% (Attendance by proxy rate: 14.29%)
Fan Xiaxia	7	7	0	100%
Non-executive Directors				
Huang Long	12	12	0	100%
Wu Dawei	12	11	1	91.67% (Attendance by proxy rate: 8.33%)
Huang Jian	3	2	1	66.67% (Attendance by proxy rate: 33.33%)
Shan Qunying	12	11	1	91.67% (Attendance by proxy rate: 8.33%)
Xu Zujian	12	12	0	100%
Huang Mingyuan	7	7	0	100%
Liu Shuyuan	12	10	2	83.33% (Attendance by proxy rate: 16.67%)
Independent Non-executive Directors				
Liu Jipeng	12	11	1	91.67% (Attendance by proxy rate: 8.33%)
Yu Ning	12	10	2	83.33% (Attendance by proxy rate: 16.67%)
Shao Shiwei	7	7	0	100%
Zheng Jianchao	7	6	1	85.71 (Attendance by proxy rate: 14.29%)
Wu Liansheng	7	7	0	100%

As stated in the Corporate Governance Report of 2007, the Company's Articles of Association set out in detail the duties and operational procedures of the Board (please refer to the Company's Articles of Association for details). The Board of the Company holds regular meeting to hear the report on the Company's operating results and makes timely decision. Material decisions on operation shall be discussed and approved by the Board. Ad hoc meetings may be held if necessary. Board meetings include regular meetings and ad hoc meetings. Regular meetings of the Board include: annual meetings, half-yearly meetings, first quarterly and third quarterly meetings.

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

Moreover, the Independent Directors of the Company have submitted their annual confirmation letters of 2008 in relation to their independence according to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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

During the period when the Board was not in session, the Chairman, together with the Vice Chairman, discharged part of the duties of the Board of Directors, including (1) to examine and approve the establishment or cancellation of proposals to develop construction projects; (2) to examine and approve and approved proposals of the President in relation to the appointment, removal and transfer of managers of various departments of the Company and managers external branches; (3) to examine and approve plans on the use of significant funds; (4) to examine and approve proposals on the establishment or cancellation of branch or branch organs; (5) to study issues regarding the power market reforms and power sales and marketing; (6) to examine other major issues.

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

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

(D) CHAIRMAN AND PRESIDENT

The 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. Cao Peixi acts as Chairman of the Board and Mr. Liu Guoyue acts as President of the Company.

The division of duties of the Board and the senior management is same as what has been disclosed in the Corporate Governance Report of 2007.

(E) NON-EXECUTIVE DIRECTORS

According to the provisions of the Articles of Association, the term of office of members of the Board of the Company shall not exceed three years (including three years) and the members 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 China Securities Regulatory Commission.

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

Name of Non-executive Directors	Term of office
Huang Long	2008.5.13 - 2011.5
Wu Dawei	2008.5.13 - 2011.5
Huang Jian	2008.8.27 - 2011.5
Shan Qunying	2008.5.13 - 2011.5
Xu Zujian	2008.5.13 - 2011.5
Huang Mingyuan	2008.5.13 - 2011.5
Liu Shuyuan	2008.5.13 - 2011.5

(F) DIRECTORS' REMUNERATION

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

The Executive Directors have entered into the directors service contracts in compliance with requirements of the Hong Kong Stock Exchange.

Members of the Remuneration and Appraisal Committee of the Fifth Session of the Board of Directors comprised seven directors. Members of the Remuneration and Appraisal Committee were 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 Chief Member of the Remuneration and Appraisal Committee. Members of the Sixth Session of the Remuneration and Appraisal Committee comprised seven directors. Members of the Remuneration and Appraisal Committee were Mr. Liu Jipeng, Mr. Liu Guoyue, Mr. Xu Zujian, Mr. Liu Shuyuan, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Yu Ning, of whom Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei and Mr. Zheng Jianchao were Independent Non-executive Directors; Mr. Liu Jipeng acted as Chief Member of the Remuneration and Appraisal Committee.

The operation of the Remuneration and Appraisal Committee did properly follow the Detailed Rules on the Work of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee convened a meeting on 24 March 2008, at which the report of total wage expenses was reviewed. In the new financial year, the Remuneration and Appraisal Committee will carry out its work in a timely manner pursuant to the above rules on work according to the actual situation.

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

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Fifth Session of the Remuneration and Appraisal Committee in 2008	2008.3.24	Mr. Liu Jipeng, Mr. Na Xizhi, Mr. Xu Zujian, Mr. Liu Shuyuan, Mr. Qian Zhongwei, Mr. Xia Donglin	Mr. Wu Yusheng

(G) NOMINATION OF DIRECTORS

According to the provisions of the relevant laws of the PRC 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 directors' qualifications under the Companies Law and Securities Law and the needs of the operational management of the Company, and making proposals thereon to the Board; searching for qualified candidates for directors and suitable persons for senior management personnel on a wide basis; and examining the candidates for directors and suitable persons for senior management personnel and making proposals thereon. Currently, the nomination of the candidates of directors basically were made by the major shareholder. The nominations, after examination of the relevant qualification by the Nomination Committee, will be submitted to the Board of Directors. The President of the Company as appointed by the Board and the candidates for the Vice President and management were nominated by the President. Such nominations, after examination of the relevant qualification by the Nomination Committee, will be submitted to the Board of Directors.

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

The operation of the Nomination Committee did follow the Detailed Rules on the Work of the Nomination Committee. On 21 April 2008, the Nomination Committee of the fifth session of the Board of Directors convened the first meeting in 2008, at which the details of candidates for the company's senior management and statements on the proposal of change of session election of the Board were reviewed and the investigation report on the qualifications of candidates for the President, the investigation report on the qualifications of candidates for the Vice President and Chief Engineer and the investigation report on the qualifications of candidates of directors were compiled. On 10 July 2008, the Nomination Committee of the sixth session of the Board of Directors examined the relevant written material regarding the qualifications of Mr. Cao Peixi and Mr. Huang Jian and the investigation report on their qualifications of candidates of directors was complied. In the new financial year, the Nomination Committee will carry out its work in a timely manner pursuant to the above rules on work according to the actual situation.

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

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Nomination Committee of the Fifth Session of the Board of Directors in 2008	2008.4.21	Mr. Qian Zhongwei, Mr. Huang Long, Mr. Shan Qunying, Mr. Ding Shida, Mr. Xia Donglin	Mr. Liu Jipeng, Mr. Yu Ning
Communication Meeting of the Nomination Committee of the Sixth Session of the Board of Directors in 2008	2008.7.10	Mr. Shao Shiwei, Mr. Fan Xiaxia, Mr. Shan Qunying, Mr. Huang Mingyuan, Mr. Liu Jipeng, Mr. Yu Ning, Mr. Wu Liansheng	Nil

(H) REMUNERATION OF AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for 2008. For the twelve months ended 31 December 2008, the total auditors' remuneration amounted to RMB25.16 million.

(I) AUDIT COMMITTEE

According to the requirements of the regulatory authorities of the jurisdictions where the Company is listed and the relevant provisions of the Articles of Association, the Board of Directors of the Company has established the Audit Committee 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) communication between internal auditing and external auditing;

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

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

The responsibilities as stated above are same as those stated in the Corporate Governance Report of 2007.

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

During the reporting period, The Audit Committee held six meetings. As per Audit Committee's duties, the Audit Committee interviewed with the Company's counsels, external auditors, management and the relevant departments separately and exchange ideas and communicated with them. With the understandings on the applicable laws and regulations of those jurisdictions in which the shares of the Company are listed, anti-misconduct position in the Company, change of the responsible officer of the Monitoring and Audit Department, recruitment of staff, implementation and execution of internal control mechanism and audit work carried out by external auditors, the Audit Committee has rendered their views and opinion and made certain proposals. The meetings discussed and examined the working report of the Audit Department in 2007, the working plan and budget for auditing in 2008, the 2008 budget report, the 2007 financial statements, the 2007 profit distribution proposal, the appointment of external auditors, the financial statements for the first quarter, interim and third quarter of 2008 respectively. The Audit Committee submitted to the Board of Directors a work report for the past year and examination reports done in the meetings.

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

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Audit Committee of the Fifth Session of the Board in 2008	2008.2.24	Mr. Xia Donglin, Mr. Qian Zhongwei, Mr. Liu Jipeng, Mr. Wu Yusheng, Mr. Yu Ning	Nil
Second meeting of the Audit Committee of the Fifth Session of the Board in 2008	2008.3.24	Mr. Xia Donglin, Mr. Qian Zhongwei, Mr. Liu Jipeng, Mr. Yu Ning	Mr. Wu Yusheng
Communication meeting of the Audit Committee of he Fifth Session of the Board in 2008	2008.3.31	Mr. Xia Donglin, Mr. Qian Zhongwei, Mr. Liu Jipeng, Mr. Wu Yusheng, Mr. Yu Ning	Nil
Third meeting of the Audit Committee of the Fifth Session of the Board in 2008	2008.4.21	Mr. Xia Donglin, Mr. Qian Zhongwei, Mr. Wu Yusheng	Mr. Liu Jipeng, Mr. Yu Ning
First meeting of the Audit Committee of the Sixth Session of the Board in 2008	2008.8.26	Mr. Yu Ning, Mr. Shao Shiwei, Mr. Zheng Jianchao, Mr. Wu Liansheng	Mr. Liu Jipeng
Second meeting of the Audit Committee of the Sixth Session of the Board in 2008	2008.10.20	Mr. Liu Jipeng, Mr. Wu Liansheng	Mr. Yu Ning, Mr. Shao Shiwei, Mr. Zheng Jianchao

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

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

The reporting responsibility statements made by the auditors of the Company in relation to the financial statements of the Company are set out on page 91 to page 92 and page 189 to page 190 of this annual report.

(K) SENIOR MANAGEMENT'S INTEREST IN THE COMPANY'S SECURITIES

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

(L) STRATEGY COMMITTEE

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

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

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

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

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

5. to monitor the implementation of the above matters;

6. any matters required by the Board of Directors.

Members of the Fifth Session of the Strategy Committee comprised six directors, namely, Mr. Li Xiaopeng, Mr. Huang Yongda, Mr. Huang Long, Mr. Na Xizhi, Mr. Wu Dawei, Mr. Wu Yusheng. Mr. Li Xiaopeng acted as Chief Member of the Strategy Committee. Members of the Sixth Session of the Strategy Committee comprised seven directors, namely, Mr. Huang Long, Mr. Wu Dawei, Mr. Huang Jian, Mr. Liu Guoyue, Mr. Fan Xiaxia, Mr. Shao Shiwei and Mr. Zheng Jianchao, of whom Mr. Shao Shiwei and Mr. Zheng Jianchao were Independent Non-executive Directors. Mr. Huang Long acted as Chief Member of the Strategy Committee.

On 28 May 2008, the Strategy Committee approved the Report on Classification of Prevention of and Control Measures on Risk in 2008 which was approved after examination by the Audit Committee of the Board of the Company on 26 August 2008.

On 10 October 2008, the Strategy Committee examined and approved the Risk Analysis Report for half year of 2008.

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

The Company undertakes to its shareholders in a responsible manner that it will disclose its financial position and operating performance accurately, fairly and comprehensively and will continue to proactively maintain a stable and balanced dividend policy.

NOTICE TO SHAREHOLDERS

Dividends

The Board resolved to propose for the year ended 31 December 2008 a cash dividend of RMB0.10 (inclusive of tax) per ordinary share.

Cash dividends will be denominated and declared in Renminbi. Cash dividends on domestic shares will be paid in Renminbi. Save for the dividends on foreign shares traded on the Hong Kong Stock Exchange which will be paid in Hong Kong dollars, cash dividends on other foreign shares will be paid in US dollars. Exchange rates for dividends paid in US dollars and Hong Kong dollars are USD1 to RMB6.8319 and HK$1 to RMB0.881525 respectively.

All the cash dividends will be paid to shareholders on or before 30 June 2009, subject to approval at the annual general meeting of the Company.

SHAREHOLDERS RETURN

Performance of share price

The performance of the Company's ADS traded on the New York Stock Exchange in 2008 was as follows: opening price: USD41.22/ADS, highest price: USD42.15/ADS, lowest price: USD16.57/ADS, closing price: USD29.18/ADS, representing a decrease of USD12.12/ADS (29.35%) as compared to the previous year.

The performance of the Company's H shares traded on the Hong Kong Stock Exchange in 2008 was as follows: opening price: HKD8.10/H share, highest price: HKD8.22/H share, lowest price: HKD2.96/H share, closing price: HKD5.60/H share, representing a decrease of HKD2.61/H share (31.79%) as compared to the previous year.

The performance of the Company's A shares traded on the Shanghai Stock Exchange in 2008 was as follows: opening price: RMB14.84/A share, highest price: RMB16.12/A share, lowest price: RMB5.47/A share, closing price: RMB6.92/A share, representing a decrease of RMB7.91/A share (53.33%) as compared to the previous year.

DIVIDENDS

Policy

The Company will continue to maintain a proactive, stable and balanced dividend policy.

Declaration of dividends

The Company has been declaring dividends since 1998. From 2000, the dividend payout ratio has been over 50% for eight consecutive years.

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

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

INVESTOR RELATIONS

2008

- *Press Conference/Analysts Meetings*

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

- *Roadshow*

  In April, the management of the Company conducted an annual roadshow in the United States, Japan and Europe. The Company has had indepth communications and exchange of views with the major shareholders and potential investors of the Company.

- *Visits by and general enquiries from investors*

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

- *Investors Forum*

  In 2008, the management of the Company has attended 4 large investment forums in which it met more than 100 institutional investors.

- *Power Plant Visits*

  Taking into consideration of the market's ongoing concern for the acquisition of Tuas Power Ltd. by the Company, the Company has arranged for PRC and overseas fund managers and analysts to visit Singapore Tuas Power Ltd. Through site visits and dialogues with the management of Tuas Power Ltd., investors have had a relatively direct-vision understanding of the Singapore power market, fuel market, operation model, financial conditions and future development plans of Tuas Power which is conducive for their understanding of the Singapore power market and the "going abroad" strategy of the Company.

2009

As what we did in the past, we will continue to insist on making information disclosure in an open, timely and accurate manner, conducting investor relations work proactively and efficiently, maintaining a smooth and unimpeded communication channel for investors and further strengthening the interaction with the investors.

QUESTIONS AND ANSWERS WITH INVESTORS

- **THE COMPANY IMPORTED COAL IN 2009. WILL THE COMPANY CONTINUE TO IMPORT COAL IN 2009?**

  In 2008, the Company's Yuhuan Power Plant in Zhejiang, Shantou Power Plant in Guangdong and Fuzhou Power Plant in Fujian purchased an aggregate of 2,840,000 tonnes of Indonesian coal in total and the price for delivery to the plant is lower than the then market price by approximately RMB100 / tonne on the average.

  As the key contracts for 2009 have not been signed, imported coal is temporarily purchased in order to supplement the resources gap. As at the end of March 2009, the Company purchased a total of approximately 5,000,000 tonnes of imported coal from Indonesia, Russia and Australia. The average price for delivery to the plant is lower than the then domestic market purchase price.

  We are also prepared to sign additional contracts on 1,000,000 – 1,500,000 tonnes of imported coal.

- **WHAT IS THE GOVERNMENT'S CURRENT THINKING ON ELECTRICITY TARIFF REFORMS?**

2009's tariff reforms are specifically included in the reform objectives for 2009 in the government's work report. Premier Wen Jiabao of the State Council pointed out in the government work report that it was important to push forward price reforms for resources products, to continuously deepen the electricity tariff reforms, to gradually improve the formulation of a mechanism for power transmission and distribution prices and power selling prices, and to rationalize the correlation between coal and electricity prices at the right moment.

On 25 February 2009, the State Development and Reform Commission, the State Electricity Regulatory Commission and the State Energy Bureau jointly issued the Notice on Clearing the Issues related to Concessional Electricity Tariffs. The Notice demanded to firmly revoke the measures on concessional electricity tariffs practiced by various regions on their own. At the same time, it proposed to steadily push forward measures including pilot projects on direct purchase of electricity by major users according to market-oriented principles and reasonable adjustment of peak and off-peak tariffs in order to alleviate enterprises' power consumption burden. It also stressed that it was important to reinforce electricity tariff supervision and inspection work.

- **WHAT IS THE CURRENT SITUATION OF THE TRIAL IMPLEMENTATION OF DIRECT POWER SUPPLY TO MAJOR USERS AND WHAT WILL BE ITS IMPACT ON THE COMPANY?**

Direct power purchase by major users means that large industrial enterprises with a power consumption voltage level of 110 kV and above, in compliance with the State's industrial policy requirements, may directly purchase power from power generation companies according to the principle of voluntary negotiations and at the same time pay power transmission fees according to the power transmission prices stipulated by the State as well as government funds and surcharges collected with the tariffs. As regards the regions where the Company's power plants are situated, Liaoning, Fujian, Zhejiang, Shandong, Henan, Shanxi and Gansu have commenced survey and research work related to pilot projects on direct power purchase by major users. The specific proposals can be formally implemented only after obtaining approvals from relevant government administrative departments.

Direct power purchase by major users has enhanced to a certain extent the price-fixing right of power generation and power consumption enterprises to determine tariffs and it has brought about a positive effect on pushing forward tariff marketization reforms. At present, specific implementation proposals on direct power purchase by major users in various regions have not been announced and accordingly its impact on the Company cannot be ascertained for the time being. We are closely following up and actively participating in the research work on direct power purchase by major users in the relevant regions.

- **THE DRASTIC SURGE OF COAL PRICES IN 2008 HAS CAUSED LOSSES OF POWER GENERATION COMPANIES AND POWER DEMAND DECLINED AS A RESULT OF THE CURRENT FINANCIAL CRISIS. WILL THE COMPANY ADJUST ITS NEW PROJECT DEVELOPMENT PLANS AND ITS CAPITAL EXPENDITURE PLANS IN THE FUTURE?**

  Currently, the Company faces rare opportunities and unprecedented challenges in its development. Tight coal supply, continuous substantial increase in coal prices, declining coal quality and non-realization of linkage of electricity tariffs and coal prices have seriously affected the the Company's operating efficiency. However, on the other hand, the Company also faces a favourable opportunity for market shares enhancements. The Company has relatively rich management experience and believes that it can turn pressure into motivation through efforts, seize opportunities and cope with challenges with the policy of "maintaining growth in certian area while curbing investment in other areas". As regards the Company's capital expenditure in 2009, the Company has increased its investments in coal, port and other upstream industries, clean energy and technology reforms. The future capital expenditure and development plans of the Company will depend on the changes in the national economic development and supply and demand of the power market.

- **WHAT ARE THE COMPANY'S DEVELOPMENT PLANS ON OTHER FEASIBILE ENERGIES?**

  The Company adheres to the "green" concept and will actively pursue the approaches and opportunities for power generation by means of other feasible energies apart from thermal coal, and improve the installation structure. The Company will pursue the following endeavours continue to expedite the development and construction of wind power projects and focus on the development of base-type and profitable wind power projects in Gansu, Hebei, Inner Mongolia and Liaoning; actively seek opportunities to develop hydropower projects and increase the weighting of clean energy; launch advanced technology research on the use of tidal energy, as well as solar photovoltaic generation and solar thermal power generation.

COMMUNICATION BETWEEN THE COMPANY AND STAFF

The Company encourages mutual understanding, mutual trust, sincere cooperation, all-round communication and harmonious relationships among its staff. Through the Staff Handbook, the Company communicates to its entire staff about its mission, core corporate values, strategic goals, operation concepts and corporate spirit, thereby enhancing employees' sense of commitment to the Company. The Company encourages its staff to participate in proposal fine-tuning activities, and gives appropriate rewards to the staff when their suggestions are being accepted. The Company set up a special suggestion box to collect staff's opinions. When working on important matters such as research and development plans, the Company invites its staff representatives to participate and listens to staff's opinions. When there is a dispute between the Company and its staff, we encourage mutual communication and negotiation to resolve the issues.

HUMAN RESOURCES STATUS

The Company believes that human resources are the most important assets of the Company. We put a strong emphasis on nurturing talents with the establishment of three core teams of senior management, senior engineering professionals and senior technicians as the focus, the strengthening of education and training as well as exploration of potentials in internal human resources as the foundation, and recruitment of external talents as the supplement, thereby realizing a sustainable development of the Company's human resources.

For a long period of time, our human resources management is closely knitted with the Company's overall development planning. By actively and appropriately implementing a talent-based "strong corporation" strategy, we have built a diligent, high quality and experienced staff team.

At the end of 2008, the Company had 28,130 employees in total, including: 15,761 production staffs, 130 sales staffs, 10,414 technical staffs, 356 finance staffs and 1,469 administrative staffs.

There were 15,197 employees who had tertiary qualifications or above, over 54% of the workforce. Among them, 437 employees held master degrees or above, 6,201 employees held specialized university degrees, 8,559 employees held general university degrees.

DEVELOPMENT AND INCENTIVE SCHEME

The Company believes in growing together with its staff, we put strong emphasis on education and training. We provide financial sponsorships and other assistance on staff training, thereby increasing the staff's sense of commitment to the Company, and motivating them to develop their inner strengths, hence improving their career development.

The Company encourages its staff to participate in training programs in accordance with their personal needs and career plans, guaranteeing their training time, so that they can continuously improve their technical expertise and become all-rounded employees, delivering better service to the Company.

The Company put a strong emphasis on staff development. In 2008, we provide various kinds of training programs to our staff, including new staff entrance training, job position qualification training, technical skill training, international cooperation training, and on-the-job continuing education.

In 2009, the Company will continue to develop various levels and forms of training for our staff in accordance with the Company's development and staff's career plan. The Company will strive hard to enhance our staff's knowledge, technical expertise and management efficiency.

STAFF SAFETY

Providing a safe working environment for our staff is the Company's top priority. The Company works hard to improve the safety standards of our staff, prevents accidents and minimizes occupational hazard.

1. To establish the safety and prevention concept of "Safety as the first priority; precaution as the major measure integration in supervision" among staff, and to discover and eliminate potential hazards on time, safeguarding workplace safety, maintaining good working environment and preventing occupational diseases.

2. To actively develop safety education. New staff at power plants have to undergo safety education at the division level, department level and work team level before going to work. This includes basic knowledge of safety in the workplace, major hazards and risk factors as well as safety issues, major preventive measures against industrial accidents and occupational diseases, case studies of typical hazards, handling procedures on accidents, and functions and correct usage of protective gears (instruments).

3. To establish the certificate-for-job system. Personnel who are engaged in special operations have to undergo special safety knowledge and safe operation training, and pass through exams to obtain certificates before they can start working in their job. We also implement safety education specifically for staff who are going to handle new work techniques, new technology, new equipment and new materials.

4. To promote a safety culture and enhance staff's safety awareness in order to protect their own safety by spreading safety knowledge around the Company.

In 2008, Huaneng Power succeeded in seizing the opportunity of entering the overseas market through acquiring the Singapore-based Tuas Power Limited, thereby enhancing the Company's strengths.

pportunities

The Directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2008.

RESULTS SUMMARY

The Board of Directors (the "Board") of Huaneng Power International, Inc. (the "Company" or "Huaneng International") hereby announces the audited operating results of the Company and its subsidiaries for the year ended 31 December 2008.

For the twelve months ended 31 December 2008, the Company recorded consolidated operating revenue of RMB67.564 billion, representing an increase of 35.76% compared to the same period of the previous year. The loss attributable to equity holders of the Company of RMB3.938 billion. The loss per share amounted to RMB0.33 and net asset value per share (excluding minority interests) was RMB3.06.

BUSINESS REVIEW OF YEAR 2008

Looking back upon 2008, significant changes occurred in the international financial and economic situation. The domestic economy was impacted by the international financial crisis and the business of the Company inside and outside the PRC encountered unprecedented challenges. Year 2008 was an extraordinary year and also a relatively difficult year for the production and operation of the Company. During the year, with the strong support of all the shareholders, all the staff of the Company jointly endeavoured to focus on the major annual production and operation objectives of the Company; strived to overcome the impact of the freezing rainstorms, snowstorms, the mega earthquake disaster in Wenchuan and the international financial crisis; actively dealt with challenges including tight coal supply, persistently high coal prices, decrease in utilization hours, short supply of construction funds and overall losses of the industry; ensured safe production; strived to develop the power market; reinforced operating management; upheld scientific development; and faithfully fulfilled the duty to provide sufficient, reliable and clean power to the society, thereby achieving new progress in various aspects of work. As regards business in Singapore, the economy of Singapore has been significantly affected by the international financial crisis and there was a decline in the manufacturing industry and export trade as a result of a decrease in global demand. The utilization hours of the power generating units of Tuas Power were affected to a certain extent in 2008.

For the twelve months ended 31 December 2008, the Company recorded consolidated net operating revenue of RMB67.564 billion, representing an increase of 35.76% as compared to the same period of 2007, and net loss attributable to equity holders of the Company of RMB3.938 billion. Loss per share was RMB0.33.

As at the end of 2008, net asset value per share was RMB3.06, representing a decrease of 21.34% over 2007.

The Audit Committee of the Company convened a meeting on 30 March 2009 and reviewed the 2008 annual results of the Company.

The Board of Directors affirmed the hard-earned results of 2008.

ENSURING STABLE POWER GENERATION AND PROVIDING SOCIAL MOTIVATION

The Company's power plants inside the PRC are located throughout 14 provinces and cities providing power to various regions nationwide. During 2008, the operating power plants of the Company inside the PRC achieved power generation totalling 184.628 billion kWh on a consolidated basis, representing an increase of 6.3% over the same period of last year, of which Liaoning Yingkou, Zhejiang Yuhuan, Henan Qinbei and Hebei Shangan Power Plant maintained relatively rapid growth, thus providing strong support to the economic development of the regions. 7.584 billion kWh from Singapore Tuas Power Ltd. was vested in the power generation of the Company (from 25 March 2008, the consolidated financial statement date).

The growth in power generation was, on the one hand, attributable to the safe and stable operation of the new generating units. On the other hand, in response to the relatively significant changes in the economic situation in 2008, the Company further strengthened marketing work of the power market, thereby giving full play to the competitive advantages of the Company's power plants and enhancing a relatively rapid growth in power generation of the Company.

ADOPTING VARIOUS MEASURES TO CONTROL FUEL COSTS

Owing to the impact of the drastic surge in international energy prices and tight supply of domestic coal, domestic coal prices recorded unprecedented high prices in 2008 which brought about tremendous pressures on the Company´s operation. The Company stabilized the major channels of coal supply by enhancing unified management and coordination of fuel purchase and transportation; actively explored overseas markets and made up resources gaps by importing a small amount of thermal coal, thereby ensuring a stable supply of coal.

Although we have adopted various measures to control costs, we still could not offset the increase in power generating costs brought about by the increase in coal prices. The unit fuel cost of the Company increased by 46.54% over the same period of the previous year.

FULFILLING SOCIAL RESPONSIBILITY WITH ENERGY SAVING AND ENVIRONMENTAL PROTECTION MEASURES

The Company continued to firmly push forward energy saving and emissions reduction work and actively implemented the State policy of "replacing small units with larger units" and developed generating units with high efficiency, low consumption, large capacity and high parameters. All the newly built generating units have been installed with flue-gas desulphurization facilities and at the same time the Company reinforced management of desulphurization transformation of existing generating units, thereby enabling the Company to maintain a leadership position in the industry in terms of energy saving and environmental protection. As at the end of 2008, the Company´s generating units installed with desulphurization facilities represented 86.2% of the coal-fired generating units of the Company and smoothly passed the first annual desulphurization inspection of the State Ministry of Environmental Protection. The Company will ensure all the coal-fired generating units will have completed desulphurization transformation by the end of 2009 and that all the generating units will attain the standards for environmental protection type generating units.

The major economic and technical indices of the Company continued to attain good results and the Company continued to maintain a leadership position among listed power generation companies in the PRC. In 2008, the average equivalent availability ratio of the power plants of the Company and its subsidiaries was 91.06%; the average coal consumption rate for power generated was 306.65 gram/kWh, a decrease of 0.92 gram/kWh when compared to the same period of last year; the average coal consumption rate for power sold was 325.94 gram/kWh, a decrease of 2.83 gram/kWh when compared to the same period of last year; and the average house consumption rate was 5.38%.

OPTIMIZING POWER SUPPLY STRUCTURE BY DEVELOPMENT AND CONSTRUCTION

In 2008, the development and construction of the power supply projects of the Company progressed smoothly. Two 600 MW generating units of Hebei Shangan Phase III and two 680MW generating units of Shandong Rizhao Phase II commenced commercial operation respectively during the year.

The proposed projects of the Company made new progress. During the year, one 600MW coal-fired project of Jiangxi Jinggangshan Phase II and one 1000MW coal-fired project of Jiangsu Jinling Phase II were approved by the State. Development in clean energy has made a breakthrough. The 80MW project of Hunan Xiangqi Hydropower and the 50MW project of Inner Mongolia Huade Wind Power Phase I have obtained approval.

Innovation of project construction obtained new achievements. The first domestic 600MW-level supercritical direct air-cooling desulphurization coal-fired generating unit of Hebei Shangan Power Plant has commenced operation. Zhejiang Yuhuan Phase I, Chongqing Luohuang Phase III, Jiangsu Huaiyin Phase III and the reconstruction and expansion work of Shandong Xindian obtained the PRC Power Quality Projects Award of 2008, of which Yuhuan Phase I obtained the State Quality Projects Gold Award.

Also, there had been a change in the Company's power generation capacity on an equity basis due to suspension and closure of small-scale generating units and technical upgrades on existing generating units. As at 31 March 2009, the Company's power generation capacity on an equity basis was 39,203MW and the controlling power generation capacity reached 40,939MW.

ENHANCING THE STRENGTHS OF THE COMPANY BY MOVING TOWARDS OVERSEAS MARKETS

The Company completed the acquisition of Singapore Tuas Power in 2008, thus boosting the generation capacity on an equity basis by 2,670MW (accounting for 26% of the Singapore power market) and realizing a breakthrough in entering overseas power markets by the Company. This acquisition not only realized the strategic objective of "going aboard", but also, more importantly, provided the Company with an opportunity to operate and manage power plants in the Singapore power market which was conducive for enriching the Company´s experience of operation in overseas markets and was in line with the long-term benefits of the Company.

Also, the Company further regulated the shareholding management of the controlling companies, improved the governance structure and at the same time reinforced shareholding management of equity companies in order to strive to protect the interests of the Company. The Company successively completed the acquisition of 10% interest in Jiangsu Huaiyin Power Plant Phase I and 10% interests in Shandong Rizhao Power Company Limited during the year.

BROADENING FINANCING CHANNELS AND SAFEGUARDING SUPPLY OF FUNDS

In 2008, the Company further strengthened capital management and actively broadened financing channels. It has successfully issued RMB4 billion corporate bonds and RMB5 billion short-term debentures successively and managed to obtain relatively good issuance rates, thus effectively reducing financing costs. At the same time, the Company strengthened communication and coordination with banks and obtained credit facilities of RMB84 billion. The above measures warranted the capital requirements of the Company and provided low-cost capital support for the operation and development of the Company.

PROSPECTS FOR 2009

In 2009, the Company still faces both opportunities and challenges.

Power market: Due to the impact of the international financial crisis, the global economy declined and power demand in the domestic power market reduced, thus resulting in a relatively significant decrease in the Company's power generation early last year. However, the gradual implementation of the macro-economic policy by the State will help to stimulate the growth of the PRC economy as well as the power demand. It is anticipated that the power generation of the Company in 2009 will increase, compared to last year.

Coal market: key thermal coal contracts have not been signed up to date and accordingly there are uncertainties in coal supply and coal prices for the whole year. However, recently, there is a trend that the coal supply in the domestic market exceeds the demand while the Company´s power plants located in the coastal regions have the experience and conditions for using imported coal. It is anticipated that the coal purchase prices of the Company for the whole year will be lower than those of last year.

Capital market: Declining operating benefits and increasing debt ratio of the Company have caused pressure on financing. On the other land, the moderately eased monetary policies implemented by the State including enhancing the credit scale and lowering loan interest rates will be conducive for safeguarding capital supply and reducing capital costs by the Company.

The most important task of the Company in 2009 is to turn loss into gain. The Company will:

— enhance development of the power market; reinforce market analysis and forecast, endeavour to increase the utilization hours of generating units; and strive to achieve power generation of 190 billion kWh in the PRC for the whole year and average utilization hours of coal-fired generating units of the Company of 4,900 hours;

— enhance unified management of fuel purchase and transportation and stabilize major channels of coal supply; actively develop overseas coal markets and strive to reduce fuel costs;

— continue to push forward energy saving and environmental protection work and continuously reduce various consumption levels of generating units in order to ensure that the major economic and technical indices will continue to attain good results;

— strengthen the management of projects-under-construction and reinforce the preliminary and preparation works for projects in order to lay a good foundation for long-term development and strive to realize commencement of operation of 3,712 MW new generating units this year;

— pursuant to the State's prevailing energy policies and requirements for developing renewable energy, invest in the development and constrution of wind power whilst developing thermal power at the same time.

The Company is confident that it can seize opportunities and cope with challenges and achieve good and rapid development of the Company.

SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to the Financial Highlights on page 8 for summary of the operating results and assets and liabilities of the Company and its subsidiaries as at 31 December 2008 and for the year then ended.

Please refer to pages 93 and 193 of the financial statements for the operating results of the Company and its subsidiaries for the year ended 31 December 2008, which have been reviewed by the Company's Audit Committee.

DISTRIBUTABLE RESERVE

Distributable reserve of the Company as at 31 December 2008, calculated in accordance with its articles of association is set out in Note 24 to the financial statements prepared under International Financial Reporting Standards ("IFRS").

DIVIDENDS

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

After auditing by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers, for the accounting year ended 31 December 2008, the Company´s loss after taxation attributable to the shareholders of the Company was RMB3,701,229,826 and RMB3,937,687,568 respectively according to PRC accounting standards and International Financial Reporting Standards. During 2008, the Company did not allocate any statutory surplus common reserve fund and discretionary surplus common reserve fund.

Taking into consideration the accumulated balance of distributable profit of the Company, and in order to reward the shareholders, the dividend distribution plan of the Company for 2008 is: Using the total share capital of the Company as the base number and from the Company´s accumulative undistributed profits, the Company will distribute cash dividend of RMB1 (inclusive of tax) to all the shareholders for every 10 shares and it is anticipated that the cash dividend paid will amount to RMB1,205,538,344.

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

As the Company has not yet confirmed the date for convening the 2008 annual general meeting, the record date, nor the period for closure of register to determine shareholder's qualification of receiving the proposed dividend, the Company will announce such details in the notice of annual general meeting to be published upon the confirmation thereof. The Company shall comply with the relevant rules and regulations to withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H share of the Company as of the record date.

During the reporting period, there was no change in the Company's accounting policies, accounting estimates, nor was there any rectification of major accounting errors.

Cash dividends will be denominated and declared in Renminbi. Cash dividends on domestic shares will be paid in Renminbi. Save for the dividends on foreign shares traded on the Hong Kong Stock Exchange which will be paid in Hong Kong dollars, cash dividends on other foreign shares will be paid in United States dollars. Exchange rates for dividends paid in United States dollars and Hong Kong dollars are USD1 to RMB6.8319 and HK$1 to RMB0.881525 respectively.

All the cash dividends will be paid to shareholders on or before 30 June 2009, subject to approval at the annual general meeting of the Company.

PRINCIPAL BUSINESS

Currently, the Company wholly owns 17 operating power plants, and have controlling interests in 13 operating power plants and minority interests in 5 operating power companies. Their operations are widely located in 12 provinces and two provincial-level municipalities. The Company also has a wholly-owned generation company in Singarpore. The core business of the Company is to develop, construct and operate large scale power plants by making use of modern technology and equipment and financial resources available domestically and internationally.

SUBSIDIARIES AND ASSOCIATES

Please refer to Notes 12 and 13 to the financial statements prepared under IFRS for details of associates and subsidiaries respectively.

BONDS

During the year, the Company issued RMB4 billion corporate bonds and RMB5 billion short-term debentures in meeting its operational needs.

BANK LOANS AND OTHER BORROWINGS

Please refer to Notes 26 and 32 to the financial statements prepared under IFRS for details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2008.

CAPITALIZED INTEREST

Please refer to Note 11 to the financial statements prepared under IFRS for details of the Company and its subsidiaries capitalized borrowing costs during the year.

PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 11 to the financial statements prepared under IFRS for changes in the property, plant and equipment of the Company and its subsidiaries during the year.

RESERVES

Please refer to consolidated statement of changes in equity and statement changes in equity on pages 96 to 98 and pages 196 to 199 for the movements of reserves of the Company and its subsidiaries and the Company standalone during the year respectively.

STAFF RETIREMENT SCHEME

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

Pursuant to the specified retirement contribution schemes, the Company and its subsidiaries have paid contributions according to the terms and obligations set out in the publicly administered retirement insurance plans. The Company has no other obligations to pay further contributions. The contributions payable from time to time will be regarded as expenses in the period and accounted for as labor cost. Please refer to Note 8 to the financial statements prepared under IFRS for details of the staff retirement benefits.

PRE-EMPTIVE RIGHTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The five major suppliers of the Company and its subsidiaries for year 2008 were China Shenhua Energy Company Limited, China Coal Energy Company Limited, Inner Mongolia Yitai Group Limited Company, Shanxi Province Coal Transportation and Sales (Group) Company Limited and Shanxi Guoyang New Energy Joint Stock Company, respectively. The total purchase from them amounted to approximately RMB9.08 billion, representing approximately 17.6% of the total coal purchase of the year.

As a power producer, the Company sells the electricity generated by its power plants through local operating power grid companies. The five major customers of the Company and its subsidiaries for the year 2008 were Jiangsu Electric Power Company, Zhejiang Electric Power Corporation, Liaoning Electric Power Corporation, Singapore Energy Market Company Pte Ltd. and Shandong Electric Power Corporation. The five customers accounted for approximately 57% of the total operating revenue while the largest customer (Jiangsu Electric Power Company) accounted for approximately 14% of the operating revenue.

None of the directors, supervisors or their respective associates (as defined in the Hong Kong Listing Rules) had any interests in the five major suppliers or customers of the Company mentioned above in 2008.

CONNECTED TRANSACTIONS

1. The continuing connected transactions of the Company are those transactions conducted between the Company and certain subsidiaries and/or associates of China Huaneng Group ("Huaneng Group"). Huaneng Group directly holds approximately 8.75% of the total issued share capital of the Company. Through its wholly-owned subsidiary, China Hua Neng Group Hong Kong Limited, Huaneng Group indirectly holds certain H shares of the Company, representing 0.17% of the issued shares of the Company. In addition, it holds 51.98% direct interest and a 5% indirect interest in Huaneng International Power Development Corporation which in turn holds approximately 42.03% of the total issued share capital of the Company. Therefore, Huaneng Group is a connected person to the Company and transactions of the Company with those subsidiaries and/or associates of Huaneng Group constitute connected transactions of the Company under the Hong Kong Listing Rules. The purposes of the Company to enter into such continuing connected transactions with those connected persons were to meet the operational need of the Company and to get the most favourable terms and conditions from the market from the Company's perspective. The relevant information regarding the continuing connected transactions was set out in the Announcement of Continuing Connected Transactions of the Company on 3 January 2008 and the details of which are summarised as follows.

(i) The HEC Equipment Purchase Framework Agreement and the Xi'an Thermal Equipment Purchase Framework Agreement entered into between the Company and Huaneng Energy & Communications Holdings Co., Ltd. ("Huaneng Energy Communication") and Xi'an Thermal Power Research Institute Co., Ltd. ("Xi'an Thermal"), respectively, on 3 January 2008, each for a term commencing from 1 January 2008 and expiring on 31 December 2008. Huaneng Energy Communication is a wholly-owned subsidiary of Huaneng Group, while Huaneng Group holds 52% interest in Xi'an Thermal.

Pursuant to the two agreements, the Company purchased from Huaneng Energy Communication, Xi'an Thermal and their respective subsidiaries and associates ancillary equipment and products, which are used for renovation and maintenance of its facilities, at the terms and purchase price to be negotiated at arm's length terms taking into account the market conditions, and in any event at terms and prices no less favourable than those offered by Huaneng Energy Communication, Xi'an Thermal and their respective subsidiaries and associates to independent third parties for the same or similar type of ancillary equipment parts.

As at 31 December 2008, the transaction amount of the continuing connected transactions under the two agreements amounted to RMB458.02 million.

(ii) The Xi'an Thermal Services Framework Agreement entered into between the Company and Xi'an Thermal on 3 January 2008 for a term commencing from 1 January 2008 and expiring on 31 December 2008. Huaneng Group holds 52% interest in Xi'an Thermal.

Pursuant to the agreement, the Company purchased from Xi'an Thermal and its subsidiaries and associates information technology services and industry-specific technical engineering contracting services at a service fee to be mutually agreed upon and confirmed by the parties with reference to the then market conditions, provided that such service fee shall be determined upon normal commercial terms and not higher than the service fee offered by Xi'an Thermal and its subsidiaries and associates to independent third parties for the same or similar type of services.

As at 31 December 2008, the transaction amount of the continuing connected transactions under the agreement amounted to RMB217.14 million.

(iii) The Coal Purchase and Transportation Agency Services Framework Agreement entered into between the Company and Shandong Rizhao Power Limited Company ("Shandong Rizhao") on 3 Janaury 2008 for a term commencing from 1 January 2008 and expiring on 31 December 2008. Shandong Rizhao is 46% owned by Huaneng Group.

Pursuant to the agreement, the Company provided coal purchase and transportation agency services to Shandong Rizhao, at prices and charges calculated by reference to RMB/ton and the actual weight of carriage, with arm's length terms taking into account the then market conditions, and in any event the coal prices shall be no more favourable than those offered b the Company to independent third parties for the same or similar type of coal supply or transportation services.

As at 31 December 2008, no such transaction occurred under the agreement.

(iv) The HEC Coal Framework Agreement entered into between the Company and Huaneng Energy Communication on 3 January 2008 for a term commencing from 1 January 2008 and expiring on 31 December 2008. Huaneng Energy Communication is a wholly-owned subsidiary of Huaneng Group.

Pursuant to the agreement, the Company purchased coal and coal transportation services from Huaneng Energy Communication and its subsidiaries and associates at prices and charges calculated by reference to RMB/ton and the actual weight of carriage, with arm's length terms taking into account the then market conditions, and in any event the coal prices and the transportation service fee shall be no less favourable than those offered by Huaneng Energy Communication and its subsidiaries and associates to independent third parties for the same or similar type of coal supply or transportation services.

As at 31 December 2008, the transaction amount of the continuing connected transactions under the agreement amounted to RMB4,365.49 million.

(v) The Framework Agreement entered into between the Company and China Huaneng Finance Corporation Limited ("Huaneng Finance") on 7 March 2006 for a term of three years commencing from 1 January 2006 and expiring on 31 December 2008. Each of Huaneng Group and the Company holds 51% and 20% equity interests in Huaneng Finance, respectively.

Pursuant to the agreement, the Company would from time to time place deposits with Huaneng Finance at rates which would no less favourable than the rates available from an independent third party for similar services in the PRC. In addition, the Company would also utilize the note discounting services provided by Huaneng Finance by paying it a service fee on terms more favourable than the service fees charged by an independent third party for similar services in the PRC.

For the year ended 31 December 2008, the maximum balances for deposits placed with Huaneng Finance was RMB5,094.82 million.

2. On 29 April 2008, the Company entered into the Transfer Agreement with Huaneng Group, pursuant to which the Company agreed to acquire from Huaneng Group 100% interest in SinoSing Power Pte. Ltd. ("SinoSing Power"), which was incorporated in Singapore by Huaneng Group as its wholly-owned subsidiary for purposes of acquiring 100% interest in Tuas Power Ltd. ("Tuas Power") from Temasek Holdings (Private) Limited ("Temasek"). Tuas Power is a power generating company incorporated Singapore and is engaged in the business of generation, trading and retail of power.

The consideration paid by the Company comprised of (1) approximately US$985 million (approximately HK$7.674 billion) being the capital injected into SinoSing Power by Huaneng Group (including US$197 million (approximately HK$1.535 billion) from internal sources of Huaneng Group and US$788 million (approximately HK$6.139 billion) from a loan obtained by Huaneng Group; and (2) an aggregate amount of approximately RMB176 million (approximately HK$196 million), being all the related expenses (including loan interest) directly incurred by Huaneng Group in relation to the acquisition of 100% in Tuas Power through SinoSing Power from Temasek. The consideration would be paid in full, of which US$788 million (approximately HK$6.139 billion) would be settled by way of assignment of debts while the remaining balance of approximately RMB1.572 billion (approximately HK$1.752 billion) would be paid by way of cash in RMB. The purchase price was determined on the basis of normal commercial terms and arm's length negotiations between the parties thereto.

The acquisition reflected the Company's continued implementation of its development strategy which focuses on both green-field development and acquisition. The acquisition enabled the Company to diversify its geographical risk and to improve its fuel structure. Through the operation of Tuas Power, the Company participates in Singapore's competitive power generation market and power retail market, thus gaining experience in operating in a competitive power market. In addition, the acquisition provides the Company with a platform to expand overseas and to develop its experience in overseas investment operation, which is in line with the Company's "Expand Outwards" strategy, and is to the long-term benefit of the Company and its shareholders.

As Huaneng Group is a connected person to the Company, the acquisition of SinoSing Power constituted a connected transaction to the Company. In addition, the transaction scale of the acquisition exceeded 2.5% of the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the acquisition also constituted a major transaction to the Company.

3. Immediately following completion of the acquisition of SinoSing Power by the Company, TPGS Green Energy Pte. Ltd. ("TPGS") became an indirect non-wholly owned subsidiary of the Company and is owned as to 75% by Tuas Power, an indirect wholly owned subsidiary of the Company, and 25% by Gas Supply Pte. Ltd. ("GSPL"), which is a subsidiary of Temasek.

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

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

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

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

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

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

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

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

Pursuant to the Retailer Use of System Agreement, SP PowerAssets Limited has been providing electricity transmission services to TPS customers where TPS is providing retailer-consolidated billing to customers of TPS. The Retailer Use of System Agreement continues indefinitely unless terminated by the non-defaulting party in the event of default by the other party. It may be automatically terminated upon the voluntary disconnection of all facilities or equipment of TPS's consumers from the transmission system where no re-connection has occurred within 30 days of such disconnection. The Retailer use of System Agreement shall also automatically terminate upon the involuntary disconnection of all TPS's consumer's connected facilities in accordance with the agreement on the 61st day after the date of disconnection.

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

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

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

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

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

The Independent Directors of the Company confirmed that in respect of the above continuing connected transactions (save for the connected transactions in items 2 and 3 above) to which the Company and/or any of its subsidiaries was/were a party:

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

(2) had been entered into either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature made by similar entities within the PRC); or (b) where there was no available comparison, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditors of the Company have reviewed such continuing connected transactions (save for the connected transactions in items 2 and 3 above) and reported to the Directors that the transactions:

(a) have been approved by the Board of Directors;

(b) were entered into for considerations consistent with the pricing policies as stated in the relevant agreements;

(c) were made in accordance with the terms of the related agreements governing such transactions; and

(d) have not exceeded the relevant cap amount for the financial year ended 31 December 2008.

COMPETITION WITH CONTROLLING SHAREHOLDERS

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

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

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

The Company and its subsidiaries did not sell any other types of securities and did not purchase or redeem the shares or other securities of the Company and its subsidiaries in 2008.

DIRECTORS OF THE COMPANY

The Directors of the Company in 2008 were:

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

On 28 June 2007, the Company's Board of Directors approved the Management Guidelines Regarding the Holding of the Company's Shares by the Directors, Supervisors and Senior Management of Huaneng Power International, Inc. The standard of such guidelines is not lower than that of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Enquiry has been made with all Directors and Supervisors and all of them confirmed that they have complied with the code throughout 2008.

The Company has amended The Share Management Rules for the Directors, Supervisors and Senior Management of Huaneng Power International, Inc. on 31 March 2009 in accordance with the new requirements of the Hong Kong Stock Exchange.

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

For the year ended 31 December 2008, none of the Directors or Chief Executives or Supervisors or their respective associates had any interests in the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which are (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) 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 Issuers.

For the year ended 31 December 2007, none of the Directors or Chief Executives, Supervisors, senior management or their spouses or children under the age of 18 was given the right to acquire shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO).

INDEPENDENT DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received independent confirmations from each of the independent directors, namely Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng, and considers them to be independent.

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of Directors and Supervisors of the Company are set out in Note 9 to the financial statements prepared under IFRS.

FIVE HIGHEST PAID STAFF

Details of the five highest paid staff in the Company are set out in Note 9 to the financial statements prepared under IFRS.

PUBLIC FLOAT

As at the date of this annual report, 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.

SHARE CAPITAL STRUCTURE

As at 31 December, 2008, the entire issued share capital of the Company amounted to 12,055,383,440 shares, of which 9,000,000,000 shares were domestic shares, representing 74.66% of the total issued share capital, and 3,055,383,440 shares were foreign shares, representing 25.34% of the total issued share capital of the Company. In respect of the foreign shares, China Huaneng Group ("Huaneng Group") through its wholly owned subsidiary, China Hua Neng Group Hong Kong Limited, held 20,000,000 shares, representing 0.17% 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 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.

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

As at 31 December 2008, the interests or short positions of persons who were entitled to exercise or control the exercise of 5% or more of the voting power at any of the Company's general meetings (excluding the Directors, Supervisors and chief executive) in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Hong Kong Law Cap. 571) (the "SFO") were as follows:

Name of substantial shareholder	Class of shares	Number of shares held (shares)	Capacity	Type of interest	Percentage in the relevant class of share capital	Percentage in total share capital
Huaneng International # Power Development Corporation ("HIPDC")	Domestic Shares	5,066,662,118 (L)	Beneficial owner	Corporate	56.30% (L)	42.03% (L)
China Huaneng Group #	Domestic Shares H Shares	1,055,124,549 (L) 20,000,000 (L)	Beneficial owner Beneficial owner	Corporate Corporate	11.72%(L) 0.39%(L)	8.75% (L) 0.17% (L)
Hebei Provincial Construction Investment Company	Domestic Shares	603,000,000 (L)	Beneficial owner	Corporate	6.70% (L)	5.00% (L)
Barclays Global Investors UK Holdings Limited	H Shares	254,680,888 (L) 8,132,000 (S)	Investment of controlled corporation	Corporate	8.34% (L) 0.27% (S)	2.11% (L) 0.06% (S)
Barclays PLC	H Shares	254,680,888 (L) 8,132,000 (S)	Investment of controlled corporation	Corporate	8.34% (L) 0.27% (S)	2.11% (L) 0.06% (S)

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

As at December 2008, China Huaneng Group holds 51.98% equity interest in HIPDC. 20,000,000 H Shares are held by China Huaneng Group through its wholly owned subsidiary, China Hua Neng Group Hong Kong Limited.

Save as stated above, as at 31 December 2008, in the register required to be kept under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS AND SERVICE CONTRACTS

Save for the service contracts mentioned below, as at the end of 2008, the directors and supervisors of the Company did not have any material interests in any contracts entered into by the Company.

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

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

REMUNERATION POLICY

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

(1) Basic salaries

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

(2) Performance salaries

Performance salaries are based on the job performance of Directors, Supervisors and senior management. It accounts for about 60% of the total remuneration.

(3) Pension

For those Directors, Supervisors and senior management receiving remuneration from the Company, the Company provides basic and supplemental retirement insurance. Such pension accounted for about 20% of the total remuneration.

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

STAFF HOUSING

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

DISPOSAL OF STAFF QUARTERS

According to the relevant regulations of the State, the Company has not provided welfare quarters to its staff for the year ended 31 December 2008.

STAFF MEDICAL INSURANCE SCHEME

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

GENERAL MEETINGS

During the year, the Company convened one annual general meeting and four extraordinary general meetings.

1. The Company's annual general meeting was held on 13 May 2008. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 14 May 2008.

2. The Company's first extraordinary general meeting of 2008 was held on 4 March 2008. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 5 March 2008.

3. The Company's second extraordinary general meeting of 2008 was held on 24 June 2008. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 25 June 2008.

4. The Company's third extraordinary general meeting of 2008 was held on 27 August 2008. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 28 August 2008.

5. The Company's fourth extraordinary general meeting of 2008 was held on 23 December 2008. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 25 December 2008.

MAJOR EVENTS

1. On 29 April 2008, the Company entered into the Transfer Agreement with Huaneng Group, pursuant to which the Company agreed to acquire from Huaneng Group 100% interest in SinoSing Power Pte. Ltd.. SinoSing Power Pte. Ltd. was incorporated in Singapore by Huaneng Group as its wholly-owned subsidiary for purposes of acquiring 100% interest in Tuas Power Ltd. held by Temasek. Tuas Power Ltd. is located in the western part of Singapore and is the first of the three power companies under the flagship of Temasek that had undergone privatisation. Tuas Power Ltd. is also one of the three largest power companies in Singapore, having an aggregate generation capacity of 2,670 MW. Its generation facilities consist of 2 x 600 MW oil-fired steam turbine units and 4 x 367.5 MW gas-fired combined cycle units, representing approximately 28% of market share in Singapore.

2. In May 2008, the Company issued a corporate debenture with a maturity of 10 years in a principal amount of RMB 4 billion at an annual interest rate of 5.20%.

3. Changes of Directors, Supervisors and Senior Management

For work reallocation reason, Mr Li Xiaopeng resigned from the position of Chairman of the Company on 2 June 2008.

For work reallocation reason, Mr. Huang Yongda resigned from the position of Vice Chairman of the Company on 27 August 2008.

For work reallocation reason, Mr. Na Xizhi resigned from the position of President of the Company on 22 April 2008.

Mr. Cao Peixi was elected as Chairman on 27 August 2008.

Mr. Liu Guoyue was appointed as President by the board of directors on 22 April 2008 and elected as a Director on 13 May.

Mr. Lin Weijie was appointed as Vice President by the board of directors on 22 April 2008.

Mr. Ye Xiangdong was appointed as Vice President by the board of directors on 22 April 2008.

Mr. Lin Gang was appointed as Vice President by the board of directors on 22 April 2008.

Mr. Zhao Ping was appointed as Chief Engineer by the board of directors on 22 April 2008.

CODE OF CORPORATE GOVERNANCE PRACTICES

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

DESIGNATED DEPOSIT

As at 31 December 2008, the Company and its subsidiaries did not have any designated deposit with any financial institutions within the PRC nor any overdue fixed deposit which could not be recovered.

DONATIONS

During the year, the total amount of donation made by the Company and its subsidiaries was approximately RMB39.41 million.

LEGAL PROCEEDINGS

As at 31 December 2008, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company and its subsidiaries.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER

As the Company has not yet confirmed the date for convening the 2008 annual general meeting, the record date, nor the period for closure of register to determine shareholder's qualification of receiving the proposed dividend, the Company will announce such details in the notice of annual general meeting to be published upon the confirmation thereof.

AUDITORS

In the forthcoming annual general meeting for 2008, a proposal regarding the re-appointment of PricewaterhouseCoopers as the international auditors of the Company and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the PRC auditors of the Company for 2009 will be tabled for shareholders, consideration and approval.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This 2008 annual report has been published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (http://www.hpi.com.cn and http://www.hpi-ir.com.hk).

By Order of the Board
CAO Peixi
Chairman

Beijing, PRC
1 April 2009

Report of the Supervisory Committee

To: All Shareholders

In 2008, all members of the Supervisory Committee of the Company strictly complied with the laws and regulations of the places where the Company is listed, as well as the articles of association of the Company. They have acted honestly and in good faith, and carried out their work diligently so as to protect the interest of the shareholders and the benefit of the Company. The Committee conducted reviews on the performance of duties of the Directors of the Company and senior management and the operational situation and management of the Company for 2008. We hereby report the major work during the period as follows:

I. WORK OF THE SUPERVISORY COMMITTEE IN 2008

In accordance with the applicable laws and regulations, the Articles of Association and the practical needs of the Company, the Supervisory Committee convened six meetings and completed the following tasks:

1. On 25 March 2008, the 11th meeting of the fifth session of the Supervisory Committee was convened at the headquarters of the Company. The financial statements of the Company for 2007, the profit distribution plan of the Company for 2007, the annual report of the Company for 2007 and its extract, and the Working Report of the Supervisory Committee of the Company for 2007 were considered and approved at the meeting.

2. On 22 April 2008, the 12th meeting of the fifth session of the Supervisory Committee was held at the headquarters of the Company. The financial for the first quarter of 2008, the first quarterly report of 2008, and the proposal of change of session of the Supervisory Committee considered and approved at the meeting.

3. On 13 May 2008, the first meeting of the sixth session of the Supervisory Committee was held at the headquarters of the Company. The proposal regarding the election of the Chairman and Vice Chairman of the sixth session of the Supervisory Committee was considered and approved.

4. On 28 July 2008, the proposal of "Avoidance of misappropriation of funds and report regarding the progress of implementation of corporate governance" was considered and approved.

5. On 27 August 2008, the second meeting of the sixth session of the Supervisory Committee was held at the headquarters of the Company. The financial statements for the first half of 2008, the interim report of the Company for 2008 and its extract were considered and approved at the meeting.

6. On 21 October 2008, the third meeting of the sixth session of the Supervisory Committee was held at the headquarters of the Company. The financial statements for the first three quarters of 2008, the third quarterly report of 2008 were considered and approved at the meeting.

The Supervisors attended (or appointed proxy) all of the aforesaid meetings. The convocation of the meetings complied with the requirements of the Company Law of the PRC and the articles of association of the Company.

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

II INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2008

1. Lawfulness of the Company's operations

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

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

2. Examining the financial conditions of the Company

The Supervisory Committee has carefully examined and verified the financial reports of the Company for 2008, the profit distribution proposal of the Company for 2008, the annual report of the Company of 2008, and the 2008 financial statements audited by the domestic and international auditors with unqualified opinions issued.

The Supervisory Committee is of the view that: In 2008, the Company faced numerous unfavourable conditions including tight coal supply, persistently high coal prices, decrease in utilization hours, short supply of construction funds and overall losses of the industry. Under the right leadership of the Board of Directors, the operating team led all the staff to work with determination, developed with innovation and strived to overcome difficulties. The Company obtained gratifying achievements in terms of operating management, corporate governance, project production, energy saving, emission reduction and capital operation, thereby laying a solid foundation for the good and rapid development of the Company. The Company's financial statements of 2008 have accurately reflected the financial conditions and operating results of the Company during the reporting period. The Supervisory Committee agreed to the auditors' report on the Company's financial statements of 2008 issued by the auditors and the profit distribution plan for 2008.

3. **Fund raising**

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

4. **Acquisition and disposal of assets and connected transactions**

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

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

5. **Examing the conditions of information disclosure of the Company**

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

In 2009, the Supervisory Committee will continue to perform its duties assigned by the laws, regulations and the articles of assocation of the Company diligently and in good faith, so as to safeguard and protect the legal interest of the shareholders and the Company.

Supervisory Committee of
Huaneng Power International, Inc.

Beijing, PRC
1 April 2009

DIRECTORS AND SUPERVISORS

Cao Peixi, aged 53, is the Chairman of the Company as well as President of China Huaneng Group and Chairman of HIPDC. He was Deputy Head and Head of Qingdao Power Plant; Assistant to the Chief of Shandong Power Bureau; Deputy Chief (Vice President) of Shandong Power Bureau (Group Corporation); Chairman and President of Shandong Power Group Corporation; Vice President, President of China Huadian Corporation; and Chairman of Huadian Power International Corporation Limited. He holds a postgraduate degree of master in engineering and is a senior engineer.

Huang Long, aged 55, is the Vice Chairman of the Company as well as the Vice President of Huaneng Group and Director of HIPDC. He has served as General Manager of the International Co-operation and Business Department of HIPDC, and as Vice President and Secretary of the Board of Directors of the Company. He graduated with a M.S. degree from North Carolina State University in the U.S., specializing in communications and auto-control. He is a senior engineer.

Wu Dawei, aged 55, is the Director of the Company, Director and President of HIPDC and Chairman of Huaneng Shanghai Combined-cycle Power Limited Liability Company. He served as Deputy General Manager of Huaneng Shanghai Shidongkou Second Power Plant, Deputy General Manager of Shanghai branch of the Company, the General Manager of Huaneng Shanghai Shidongkou Second Power Plant, Vice President of the Company, Deputy Chief Engineer of Huaneng Group, President of Huaneng Group East China Branch and President of the Company's East China Branch. He has obtained a Master of Business Administration degree from the Central Europe International Business School. He is a senior engineer.

Huang Jian, aged 46, is the Director of the Company, Deputy Chief Economist and Chief of Financial Planning of China Huaneng Corporation. He was Deputy Chief of the Cost Office of the Finance Department; Chief of Cost General Office of the Finance Department of HIPDC; Chief Accountant of Beijing Branch of Huaneng International Power Development Corporation; Deputy Manager of the Finance Department of Huaneng International Power Development Corporation; Deputy Chief Accountant, Chief Accountant, Vice President and Company Secretary of the Company. Mr. Huang graduated from the Institute of Fiscal Science of the Ministry of Finance with a postgraduate degree of master in economics. He is a senior accountant.

Liu Guoyue, aged 45, is the Director and President of the Company, Director of Shanghai Times Navigation Transportation Limited Company, Director of Xian Thermal Research Institute Limited Company. He served as Deputy General Manager, Director of the Company, Deputy General Manager and General Manager of Huaneng Shijiazhuang Branch (Shang'an Power Plant) and Director of Huaneng Dezhou Power Plant. He graduated from Guanghua Management Institute of Beijing University, with a master degree (EMBA) in business administration. He is a senior engineer.

Fan Xiaxia, aged 46, is the Director and Vice President of the Company. He served as Deputy Chief of General Administration Division of Engineering Department and Deputy Chief of Construction Management Department of HIPDC, Deputy General Manager of the Company's Nantong Branch, Deputy Manager of Construction Management Department of HIPDC, Deputy Manager and Manager of International Co-operation and Business Department of the Company, Manager of Construction Management Department of the Company, Assistant to President of the Company and General Manager of the Company's Zhejiang Branch Yuhuan Power Plant Preparatory Office. He graduated from Beijing Construction Institute with a bachelor degree, specializing in civil engineering. He is a senior engineer.

Shan Qunying, aged 55, is the Director of the Company and the Vice President of Hebei Provincial Construction Investment Company, Chairman of Hebei Provincial Natural Gas Limited Company, Chairman of Hebei Xintai Power Generation Limited Company and Hebei Construction Investment Power Fuel Management Limited Company, Vice Chairman of Guodian Construction Investment Inner Mongolia Energy Limited Company, Chairman of Hong Kong Yanshan Development Limited Company, Vice Chairman of Yanshan International Investment Limited Company and Director of Hebei Construction Investment New Energy Limited Company. He had been the Energy & Communication Division Chief of Hebei Provincial Construction Investment Company. He graduated from Management Institute of Tianjin University holding an EMBA degree. He is a senior engineer.

Xu Zujian, aged 54, is the Director of the Company, Director and Vice President of Jiangsu Province Guoxin Asset Management Group Limited Company, and Chairman of Jiangsu Investment Management Co. Ltd. He was Vice President of Jiangsu Provincial International Trust & Investment Corporation, President of Jiangsu Provincial Investment & Management Limited Liability Company, Director. He graduated from Liaoning Finance University majoring in infrastructure finance, holding a bachelor's degree. He is a senior economist.

Huang Mingyuan (Ms), aged 50, is the Director of the Company, Vice President of Fujian Investment Enterprise Group Company, President of Xiamen Fuda Photosensitive Materials Company Limited, Director of Xiamen International Bank, Macau Luso International Bank and Guangfa Huafu Securities Company Limited. She had been the department head to the Management Office of Fujian Province Economic and Trade (Medicine) Committee, and the Secretary General of the Leading Committee for Market Reorganization and Restructuring and Order of Economy. She graduated from the Business School of De Montfort University in the United Kingdom, specializing in business administration holding a Postgraduate Degree and was awarded a Master degree in business administration.

Liu Shuyuan, aged 58, is the Director of the Company, and the Chairman of Liaoning Energy Investment (Group) Limited Liability Company, Member of the 11th session of the Political Committee of Liaoning Province, Deputy Chief of the HongKong-Macau-Taiwan Immigrants Committee of the Political Committee of Liaoning Province, Vice Chairman of Niaoning Province International Trade Promotion Committee, Niaoning Province Entrepreneurs Committee and Niaoning Province Economical Cultural Development Committee. He has been the Deputy General Manager of Liaoning Provincial Trust and Investment Corporation, the Vice President, Director and President of Liaoning Changye (Group) Limited Liability Company (Liaoning Energy Corporation), Director and General Manager of Liaoning Energy Investment (Group) Limited Liability Company, and Supervisor of the Company. He is a postgraduate of PRC Liaoning Province Communist Party School specializing in economic management. He is a senior economist and senior operating manager.

Liu Jipeng, aged 52, is the Independent Director of the Company, Professor and mentor of master candidates of Capital Economic and Trade University, a professor and mentor of PhD candidates at the Law and Economics Research Centre at China University of Political Science and Law, Chairman of Beijing Standard Consulting Company Limited, Independent Director of Wanxiang Qianchao, Jiangzhong Pharmaceuticals. He was as the Chief of the Corporate Research Center of Capital Economic and Trade University, Independent Director of Haerpin Power, Hubei Cheqiao and Guodian Power and Chairman of Beijing Standard Consultancy Limited Company. He graduated from the Economic Department of the graduate School of China Academy of Social Science with a master's degree in economics. He is a certified public accountant.

Yu Ning, aged 54, is the Independent Director of the Company, Independent Director of Industrial Fund Management Limited Company and Guojin Securities Limited Company and President of All China Lawyers Association. Mr. Yu served as Deputy Director and Director of CCP Central Disciplinary Inspection Commission, practising lawyer at Beijing Times Highland Law Firm, part-time professor at Peking University, and mentor of master postgraduates at the Law School of Tsinghua University. He was the Independent Director of Jiangsu Lianyungang Port Co. Ltd. and Vice President of All China Lawyers Association. He graduated from the law department of Peking University with a LLB degree in 1983 and obtained a LLM degree specializing in economic law from the law department of Beijing University in 1996. He is a qualified lawyer.

Shao Shiwei, aged 63, is the Independent Director of the Company and Consultant of Huadong Grid Network Company. He had been the Deputy Chief of the Electricity for Agriculture of the State Energy Department, the Chief of the Law and Regulation of the State Electricity Department, Assistant General Manager of the National Electric Power Company. Deputy Secretary General of the Office Department, the President of Huadong Yixing Water Pumping and Energy Reserve Company Limited, the President and General Manager of Huadong Grid Network Company and Chairman of the Supervisory Committee of Shanghai Electric Power Co., Ltd. He graduated from the Central Communist Party School specializing in philosophy, political economy, science socialism. He is a senior engineer of professor level.

Zheng Jianchao, aged 69, is the Independent Director of the Company, Deputy Chief of China Electrical Engineering Association, Honorary Vice Chancellor and President of China Electricity Science Research Institute and the Chief of the Science Technology Committee of China Guangdong Nuclear Power Group Corporation. He had been Vice Chancellor and Chancellor of China Electrical Science Research Institute, Deputy Chief of the Academy of Science and Technology Committee of China Electricity Science Research Institute. In 1995, he had been elected as an associate member of China Technology Institute. He graduated from electrical machinery engineering faculty of Qinghua University, specializing in high voltage technology and holding a Postgraduate Degree. He is a senior engineer of professor level.

Wu Liansheng, aged 38, is the Independent Director of the Company, a Professor, Ph. D. Tutor and head of the Department of Accounting of the Guanghua Management Institute of Beijing University and Independent Director of Rongsheng Real Property Development Joint Stock Limited Company. After obtaining his doctorate, Mr. Wu Liansheng was engaged in a two year post-doctorate research in Xiamen University. Afterwards, he commenced working in the Guanghua Management Institute of Beijing University as Lecturer, Associate Professor, Professor, Ph. D. Tutor and concurrently served as the Deputy Head and Head of the Department of Accounting. He graduated from Zhongnan University with a doctorate degree in Management (Accounting).

Guo Junming

Guo Junming, aged 43, is the Chairman of the Company's Supervisory Committee, the Chief Accountant of Huaneng Group, Director of Huaneng Capital Services Limited Company, Shenzhen Special Economic Zone Securities Corporation and Great Wall Securities Company, and Vice Chairman of Shanxi Weihe Power Generation Limited Company. He was Deputy Chief of the Financial Department and Chief of the Financial Accounting Department of Grid Construction Branch Company (Grid Construction Department) of State Power Corporation, Deputy Manager of the Finance Department of Huaneng Group, Vice President and President of China Huaneng Finance Limited Liability Company, President of Huaneng Capital Services Limited Company, Deputy Chief Accountant and Manager of the Finance Department of Huaneng Group. He graduated from Shanxi Finance and Economic Institute specializing in business finance and accounting. He is a senior accountant.

Yu Ying

Yu Ying (Ms), aged 53, is the Vice Chairman of the Company's Supervisory Committee and President of Dalian Municipal Investment Corporation. Ms. Yu has served as Vice Director of Social Affair Department of Dalian Municipal Planning Commission, Director of Fixed Assets Investment Department of Dalian Municipal Planning Commission, Assistant to President of Dalian International Trusts Investment Corporation and Chairman and President of Dalian State-owned Asset Management Limited Company. She graduated from Northeast Finance and Economics University, specializing in international finance and international trade, with a master degree in Economics. She is a senior economist.

Wu Lihua

Wu Lihua (Ms), aged 53, is the Supervisor of the Company, the Chief Accountant of Finance Department of HIPDC, the Supervisor of Huaneng Chaohu Power Company Limited. She had been the Deputy Manager of the Finance Department of HIPDC, Deputy Manager of the Finance Department and the Manager of Multi-Finance Department of the Company, Vice Chairman of the Preparatory Committee of Huaneng Insurance Company, Vice President of Yongcheng Property Insurance Holding Company Limited. She graduated from the People University (Second), specializing in Financial Accounting with a bachelor's degree. She is a senior accountant.

Gu Jianguo, aged 42, is the Supervisor of the Company and Director and President of Nantong Investment & Management Limited Company. Mr Gu has served as Deputy Chief and Chief of General Department, Investment Department, Finance Department and Foreign Economic Affairs Department of the Nantong Municipal Planning Committee; Vice President of Nantong Ruici Investment Limited Company; Secretary of the Communist Party Committee of the main branch and Executive President of Ruici Hospital, President of Ruici (Maanshan) Development Limited Company; Chairman and President of Nantong Zhonghe Guarantee Limited Company, Chief Officer of Nantong Municipal Investment Management Centre and Director and President of Nantong Xinhongji Investment Management Limited Company. He graduated from Nanjing Aviation University holding a bachelor's degree. He is a senior economist.

Wang Zhaobin, aged 53, is the Supervisor and Manager of the Corporate Culture Department of the Company. He had been the Deputy Chief of the Administration Department of the PRC Electricity Department. Chief of Human Resources Department and Retirement Department of HIPDC, the Deputy Secretary of Communist Party Committee, Secretary of Communist Party Disciplinary Inspection Committee, Chairman of the Labour Union of HIPDC, Beijing Branch, Deputy Manager and Manager of Corporate Culture Department and Manager of Administration Department of the Company. He graduated from China Beijing Municipal Communist Party School, specializing in economic management, holding a bachelor's degree. He is a corporate culture specialist.

Mr. Dai Xinmin, aged 47, is the Supervisor of the Company and the Manager of the Audit and Supervisory Department of the Company. He had been the Deputy Chief of the Property Right Bureau to the State Owned Assets Management Committee, the Chief Accountant, Deputy Manager of the Finance Department of Huaneng Group, the Chief Accountant of Huaneng Comprehensive Property Rights Company and the Deputy Secretary General of the Asset Operation Department of Huaneng Group. He graduated from Shanghai Finance Institute, specializing in industrial economics and holding a bachelor's degree. He is a senior economist.

SENIOR MANAGEMENT

Liu Guoyue, aged 45, is the Director and President of the Company, Director of Shanghai Times Navigation Transportation Limited Company, Director of Xian Thermal Research Institute Limited Company. He served as Deputy General Manager, Director of the Company, Deputy General Manager and General Manager of Huaneng Shijiazhuang Branch (Shang'an Power Plant) and Director of Huaneng Dezhou Power Plant. He graduated from Guanghua Management Institute of Beijing University, with a master degree (EMBA) in business administration. He is a senior engineer.

Fan Xiaxia, aged 46, is the Director and Vice President of the Company. He served as Deputy Chief of General Administration Division of Engineering Department and Deputy Chief of Construction Management Department of HIPDC, Deputy General Manager of the Company's Nantong Branch, Deputy Manager of Construction Management Department of HIPDC, Deputy Manager and Manager of International Co-operation and Business Department of the Company, Manager of Construction Management Department of the Company, Assistant to President of the Company and General Manager of the Company's Zhejiang Branch Yuhuan Power Plant Preparatory Office. He graduated from Beijing Construction Institute with a bachelor degree, specializing in civil engineering. He is a senior engineer.

Gu Biquan, aged 51, is the Vice President and secretary to the Board of Directors of the Company. He was Deputy Chief and Chief of Capital Market Department, Chief and Deputy Manager of the Secretariate of the Administration Department of HIPDC, and Manager of Capital Market Department, Assistant to the President, Manager of Administration Department of the Company. He also served as Deputy Chief of Power Development Department of Huaneng Group, Vice President and secretary to the Board of Directors of HIPDC. He graduated from Beijing Boardcasting Television University, specializing in electronic engineering. He is an engineer.

Lin Weijie

Lin Weijie, aged 45, is the Vice President of the Company. He was the Deputy General Manager of the Shantou Coal-fired Power Plant, General Manager of Huaneng Shantou Branch (Coal-fired Power Plant), Deputy General Manager of Huaneng Guangdong Branch (Shantou Power Plant) and Huaneng Fuzhou Branch (Power Plant), Deputy General Manager of Huaneng Shanghai Branch, General Manager of Shanghai Shidongkou Second Power Plant, Deputy Manager of Marketing and Sales Department, Manager of the Planning and Development Department, and Assistant to President of the Company. Mr. Lin graduated from South China Polytechnic University, specializing in business management, and has a master degree in management. He is a senior engineer.

Ye Xiangdong

Ye Xiangdong, aged 41, is the Vice President of the Company. He was the Deputy General Manager and General Manager of Huaneng Chongqing Branch (Luohuang Power Plant), President of Huaneng Chongqing Luohuang Power Generation Limited Liability Company (Luohuang Power Plant), Deputy Manager of Safety and Production Department, Manager of Construction Work Management Department and Assistant to President of the Company. He graduated from Chongqing University, specializing in thermal transmission and holds a master degree in science. Mr. Ye is a senior engineer.

Lin Gang

Lin Gang, aged 44, is the Vice President of the Company. He was the Deputy Chief of Construction Department of HIPDC, Assistant to General Manager and Deputy General Manager of Huaneng Beijing Branch (Thermal Power Plant), Deputy Manager of General Planning Department, Deputy Manager, Manager and Assistant to President of Marketing and Sales Department of the Company, President of Huaneng Northeast Branch. Mr. Lin graduated from North China Power University, specializing in thermal power, and holds a master degree in science. He is a senior engineer.

Zhou Hui (Ms), aged 45, is the Chief Accountant of the Company. She has been the Deputy Chief of the Finance Department and Price Management Department, Chief of Division II of Finance Department of HIPDC, Deputy Manager and Manager of the Finance Department of the Company, Deputy Chief Accountant and Chief Accountant (and Adjunct Manager of Finance Department of the Company. Ms. Zhou graduated from China Renmin University with a master degree in management. She is a senior accountant.

Zhao Ping, aged 46, is the Chief Engineer of the Company. He was the Deputy Chief of Production Technology Office of the Production Department of HIPDC, Assistant to the General Manager of Huaneng Fuzhou Branch (Power Plant), Deputy Manager of the Production Department of HIPDC, Deputy Manager of Safety and Production Department and Planning and Development Department, Manager of International Co-operation and Business Department, Manager of Safety and Production Department and Deputy Chief Engineer of the Company. He graduated from Tsinghua University, specializing in thermal engineer and holds a master degree in science. Mr. Zhao is a senior engineer.

Corporate Information

Legal Address of the Company	West Wing, Building C Tianyin Mansion 2C Fuxingmennan Street Xicheng District Beijing The People's Republic of China
Company Secretary	Gu Biquan West Wing, Building C Tianyin Mansion 2C Fuxingmennan Street Xicheng District Beijing The People's Republic of China
Authorised Representatives	Liu Guoyue Fan Xiaxia
Hong Kong Share Registrar	Hong Kong Registrars Limited Room 1901-1905 19th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Depository	The Bank of New York Investor Relations P.O. Box 11258 Church Street Station New York NY 10286-1258 USA

LEGAL ADVISERS TO THE COMPANY

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

AUDITORS OF THE COMPANY

Domestic Auditors	PricewaterhouseCoopers Zhong Tian CPAs Limited Company 11/F PricewaterhouseCoopers Center 202 Hu Bin Road Shanghai 200021, The People's Republic of China
International Auditors	PricewaterhouseCoopers 22/F Prince's Building Central, Hong Kong

LISTING INFORMATION

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

PUBLICATIONS

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

Beijing:	Huaneng Power International, Inc. West Wing, Building C Tianyin Mansion 2C Fuxingmennan Street Xicheng District Beijing The People's Republic of China Tel: (8610) 6649 1999 Fax: (8610) 6649 1860 Website: http://www.hpi.com.cn
Hong Kong:	Rikes Hill & Knowlton Limited Room 1312, Wing On Centre 111 Connaught Road Central Hong Kong Tel: (852) 2520 2201 Fax: (852) 2520 2241

Glossary

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

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

Gross Capacity Factor (GCF):

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

Weighted Average Coal Consumption Rate for Power Sold: The standard of measurement on average consumption of coal for the production of every one kWh of electricity from a coal-fired generating unit. Unit: gram/kWh

Weighted Average Coal Consumption Rate for Power Generated: The standard of measurement on average consumption of coal for the generation of every one kWh of electricity from a coal-fired generating unit. Unit: gram/kWh

Weighted Average House Consumption: The rate of electricity consumption during power production versus power generating unit: %

Average Utilization Hour: The operation hour coefficient converted from actual gross power generation of generating units to maximum gross capacity (or fixed capacity)

Capacity Rate: Ratio between average capacity and maximum capacity which indicates the difference in capacity. The larger the ratio, the more balanced the power production, and the higher the utilization of facilities

Power Generation: Electricity generated by power plants (generating units) during the reporting period, or "power generation". It refers to the consumed generated electricity produced by generating units with power energy being processed and transferred, or the product of actual consumed electricity generated by generating units and actual operation hours of generating units

Electricity Sold: Electricity for consumption or production sold by power producers to customers or power-producing counterparts

GW: Unit of power generation, = 10^9W, gigawatt
MW: Unit of power generation, = 10^6W, megawatt
kW: Unit of power generation, = 10^3W, kilowatt
kWh: Unit of power generation, kilowatt hour

PRICEWATERHOUSECOOPERS

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

We have audited the consolidated financial statements of Huaneng Power International, Inc. (the "Company") and its subsidiaries set out on pages 93 to 188, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated and Company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

PRICEWATERHOUSECOOPERS

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and the Company and its subsidiaries as at 31 December 2008 and of the Company and its subsidiaries' financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2009

Consolidated Income Statement

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB, except per share data)

	Note	For the year ended 31 December 2008	2007
Operating revenue		67,563,815	49,767,849
Sales tax		(106,385)	(139,772)
Operating expenses			
Fuel		(49,810,275)	(27,790,310)
Maintenance		(1,702,274)	(1,534,016)
Depreciation		(7,718,773)	(7,225,964)
Labor		(3,164,613)	(2,786,109)
Service fees on transmission and transformer facilities of HIPDC		—	(140,771)
Purchase of electricity		(2,726,028)	—
Others		(3,591,416)	(2,228,596)
Total operating expenses		(68,713,379)	(41,705,766)
(Loss) / Profit from operations		(1,255,949)	7,922,311
Interest income		83,522	53,527
Interest expense		(4,064,779)	(2,132,122)
Exchange gain and bank charges, net		356,836	204,134
Total financial expenses, net		(3,624,421)	(1,874,461)
Share of profits of associates	12	72,688	586,323
(Loss) / Gain on fair value changes	6	(54,658)	87,132
Investment income		51,061	585,379
Other income, net	5	19,723	12,617
(Loss) / Profit before income tax expense	6	(4,791,556)	7,319,301
Income tax benefit / (expense)	35	239,723	(838,270)
(Loss) / Profit for the year		(4,551,833)	6,481,031
Attributable to:			
Equity holders of the Company		(3,937,688)	6,161,127
Minority interests		(614,145)	319,904
		(4,551,833)	6,481,031
Dividends paid		3,570,334	3,375,507
Proposed dividend	25	1,205,538	3,616,615
Proposed dividend per share (expressed in RMB per share)	25	0.10	0.30
(Loss) / Earnings per share for (loss) / profit attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	36	(0.33)	0.51

The notes on pages 101 to 188 are an integral part of these financial statements.

Balance Sheets

As At 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Note	The Company and its subsidiaries As at 31 December 2008	2007	The Company As at 31 December 2008	2007
ASSETS					
Non-current assets					
Property, plant and equipment, net	11	116,737,198	90,125,919	62,549,262	50,720,718
Investments in associates	12	8,758,235	8,731,490	7,486,116	7,204,362
Investments in subsidiaries	13(a)	—	—	18,536,660	9,500,898
Available-for-sale financial assets	14	1,524,016	3,462,158	1,524,016	3,462,158
Land use rights	15	2,895,359	2,269,208	1,469,210	1,369,494
Power generation licence	16	3,811,906	—	—	—
Deferred income tax assets	33	316,699	211,654	—	182,543
Goodwill	17	11,108,096	555,266	108,938	108,938
Other non-current assets	18	748,072	389,375	201,584	215,035
Total non-current assets		145,899,581	105,745,070	91,875,786	72,764,146
Current assets					
Inventories, net	20	5,169,847	2,319,290	2,831,030	1,476,464
Other receivables and assets, net	21	1,099,720	822,691	1,123,398	676,190
Accounts receivable, net	22	7,794,500	7,876,318	3,987,554	4,097,806
Prepaid taxes	30	172,758	—	144,809	—
Loans to subsidiaries	13(b)	—	—	2,440,000	—
Derivative financial assets	19	15,479	—	—	—
Bank balances and cash	37	5,765,873	7,532,760	1,695,987	5,690,428
Total current assets		20,018,177	18,551,059	12,222,778	11,940,888
Total assets		165,917,758	124,296,129	104,098,564	84,705,034

As At 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Note	The Company and its subsidiaries As at 31 December 2008	2007	The Company As at 31 December 2008	2007
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	12,055,383	12,055,383	12,055,383	12,055,383
Capital surplus		8,642,617	10,663,422	9,084,593	10,639,221
Surplus reserves	24	6,096,100	6,096,100	6,096,100	6,096,100
Currency translation differences		(534,433)	—	—	—
Retained earnings					
Proposed dividend	25	1,205,538	3,616,615	1,205,538	3,616,615
Others		9,364,115	14,497,060	9,241,881	12,236,340
		36,829,320	46,928,580	37,683,495	44,643,659
Minority interests		5,730,633	5,151,062	—	—
Total equity		42,559,953	52,079,642	37,683,495	44,643,659
Non-current liabilities					
Long-term loans	26	59,027,181	33,438,647	31,712,372	15,896,095
Long-term bonds	27	9,834,688	5,885,615	9,834,688	5,885,615
Deferred income tax liabilities	33	1,371,572	1,092,545	70,883	802,533
Derivative financial liabilities	19	17,242	—	—	—
Other non-current liabilities	28	620,922	423,119	490,659	307,817
Total non-current liabilities		70,871,605	40,839,926	42,108,602	22,892,060
Current liabilities					
Accounts payable and other liabilities	29	10,867,480	9,241,069	6,709,175	6,086,981
Taxes payables	30	420,464	955,334	180,772	588,785
Dividends payable		56,734	12,150	36,000	—
Salary and welfare payables		212,236	213,403	148,040	162,174
Derivative financial liabilities	19	542,442	—	—	—
Short-term bonds	31	5,095,936	5,064,690	5,095,936	5,064,690
Short-term loans	32	28,745,488	11,670,400	9,638,000	4,240,000
Current portion of long-term loans	26	6,545,420	4,219,515	2,498,544	1,026,685
Total current liabilities		52,486,200	31,376,561	24,306,467	17,169,315
Total equity and liabilities		165,917,758	124,296,129	104,098,564	84,705,034

These financial statements have been approved for issue by the Board of Directors on 31 March 2009.

Liu Guoyue
Director

Fan Xiaxia
Director

The notes on pages 101 to 188 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2008
(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	Capital surplus				Surplus reserves	Currency translation differences	Retained earnings		
		Additional paid-in capital	Hedging reserve	Available-for-sale financial asset revaluation reserve	Subtotal					
Balance as at 1 January 2007	12,055,383	8,988,973	—	998,825	9,987,798	5,454,467	—	15,959,861	7,151,183	50,608,692
Changes in equity for the year ended 31 December 2007										
Fair value changes from available-for-sale financial asset – gross (Note 14)	—	—	—	1,607,251	1,607,251	—	—	—	—	1,607,251
Fair value changes from available-for-sale financial asset – tax (Note 33)	—	—	—	(483,366)	(483,366)	—	—	—	—	(483,366)
Reversal of deferred income tax	—	—	—	79,105	79,105	—	—	—	—	79,105
Disposals of available-for-sale financial asset	—	—	—	(527,366)	(527,366)	—	—	—	—	(527,366)
Net income recognized directly in equity	—	—	—	675,624	675,624	—	—	—	—	675,624
Profit for the year ended 31 December 2007	—	—	—	—	—	—	—	6,161,127	319,904	6,481,031
Total recognized income and expense for the year ended 31 December 2007	—	—	—	675,624	675,624	—	—	6,161,127	319,904	7,156,655
Deemed disposal of a subsidiary (Note 12)	—	—	—	—	—	—	—	—	(2,216,278)	(2,216,278)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	225,718	225,718
Net capital injection from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	116,890	116,890
Dividends relating to 2006	—	—	—	—	—	—	—	(3,375,507)	(446,355)	(3,821,862)
Transfer to dedicated capital (Note 24)	—	—	—	—	—	631,806	—	(631,806)	—	—
Others	—	—	—	—	—	9,827	—	—	—	9,827
Balance as at 31 December 2007	12,055,383	8,988,973	—	1,674,449	10,663,422	6,096,100	—	18,113,675	5,151,062	52,079,642

Consolidated Statement of Changes in Equity (Cont'd)

For The Year Ended 31 December 2008
(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	Capital surplus				Surplus reserves	Currency translation differences	Retained earnings		
		Additional paid-in capital	Hedging reserve	Available-for-sale financial asset revaluation reserve	Subtotal					
Balance as at 1 January 2008	12,055,383	8,988,973	—	1,674,449	10,663,422	6,096,100	—	18,113,675	5,151,062	52,079,642
Changes in equity for the year ended 31 December 2008										
Fair value changes from available-for-sale financial asset – gross (Note 14)	—	—	—	(2,080,389)	(2,080,389)	—	—	—	—	(2,080,389)
Fair value changes from available-for-sale financial asset – tax (Note 33)	—	—	—	520,097	520,097	—	—	—	—	520,097
Changes in fair value of effective portion of cash flow hedge – gross	—	—	(1,059,646)	—	(1,059,646)	—	—	—	—	(1,059,646)
Changes in fair value of effective portion of cash flow hedge – tax	—	—	190,736	—	190,736	—	—	—	—	190,736
Cash flow hedge recorded in shareholders' equity transferred to profit and loss-gross	—	—	478,426	—	478,426	—	—	—	—	478,426
Cash flow hedge recorded in shareholders' equity transferred to profit and loss – tax	—	—	(86,117)	—	(86,117)	—	—	—	—	(86,117)
Net expenses recognized directly in equity	—	—	(476,601)	(1,560,292)	(2,036,893)	—	—	—	—	(2,036,893)
Loss for the year ended 31 December 2008	—	—	—	—	—	—	—	(3,937,688)	(614,145)	(4,551,833)
Total recognized income and expense for the year ended 31 December 2008	—	—	(476,601)	(1,560,292)	(2,036,893)	—	—	(3,937,688)	(614,145)	(6,588,726)
Acquisitions of subsidiaries (Note 40)	—	—	—	—	—	—	—	—	35,047	35,047
Dividends relating to 2007	—	—	—	—	—	—	—	(3,606,334)	(310,246)	(3,916,580)
Net capital injection from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	1,522,730	1,522,730
Acquisition of minority interest of a subsidiary	—	—	—	—	—	—	—	—	(55,867)	(55,867)
Currency translation differences	—	—	—	—	—	—	(534,433)	—	(2,205)	(536,638)
Others	—	16,088	—	—	16,088		—	—	4,257	20,345
Balance as at 31 December 2008	12,055,383	9,005,061	(476,601)	114,157	8,642,617	6,096,100	(534,433)	10,569,653	5,730,633	42,559,953

The notes on pages 101 to 188 are an integral part of these financial statements.

Statement of Changes in Equity

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company						Total equity
	Share capital	Capital surplus			Surplus reserves	Retained earnings	
		Additional paid-in capital	Available-for-sale financial asset revaluation reserve	Subtotal			
Balance as at 1 January 2007	12,055,383	8,972,184	998,668	9,970,852	5,454,467	13,458,604	40,939,306
Changes in equity for the year ended 31 December 2007							
Fair value changes from available-for-sale financial asset – gross (Note 14)	—	—	1,600,153	1,600,153	—	—	1,600,153
Fair value changes from available-for-sale financial asset – tax (Note 33)	—	—	(483,523)	(483,523)	—	—	(483,523)
Reversal of deferred income tax	—	—	79,105	79,105	—	—	79,105
Disposals of available-for-sale financial asset	—	—	(527,366)	(527,366)	—	—	(527,366)
Net income recognized directly in equity	—	—	668,369	668,369	—	—	668,369
Profit for the year ended 31 December 2007	—	—	—	—	—	6,401,664	6,401,664
Total recognized income and expense for the year ended 31 December 2007	—	—	668,369	668,369	—	6,401,664	7,070,033
Dividends relating to 2006	—	—	—	—	—	(3,375,507)	(3,375,507)
Transfer to dedicated capital (Note 24)	—	—	—	—	631,806	(631,806)	—
Others	—	—	—	—	9,827	—	9,827
Balance as at 31 December 2007	12,055,383	8,972,184	1,667,037	10,639,221	6,096,100	15,852,955	44,643,659
Balance as at 1 January 2008	12,055,383	8,972,184	1,667,037	10,639,221	6,096,100	15,852,955	44,643,659
Changes in equity for the year ended 31 December 2008							
Fair value changes from available-for-sale financial asset – gross (Note 14)	—	—	(2,084,517)	(2,084,517)	—	—	(2,084,517)
Fair value changes from available-for-sale financial asset – tax (Note 33)	—	—	521,129	521,129	—	—	521,129
Net expenses recognized directly in equity	—	—	(1,563,388)	(1,563,388)	—	—	(1,563,388)
Loss for the year ended 31 December 2008	—	—	—	—	—	(1,799,202)	(1,799,202)
Total recognized income and expense for the year ended 31 December 2008	—	—	(1,563,388)	(1,563,388)	—	(1,799,202)	(3,362,590)
Dividends relating to 2007	—	—	—	—	—	(3,606,334)	(3,606,334)
Others	—	8,760	—	8,760	—	—	8,760
Balance as at 31 December 2008	12,055,383	8,980,944	103,649	9,084,593	6,096,100	10,447,419	37,683,495

The notes on pages 101 to 188 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Note	For the year ended 31 December 2008	2007 Restate
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before income tax expense		(4,791,556)	7,319,301
Adjustments to reconcile (loss) / profit before income tax expense to net cash provided by operating activities:			
Depreciation		7,752,706	7,229,108
Provision for impairment loss on property, plant and equipment		—	7,044
Amortization of land use rights		74,800	46,447
Amortization of other non-current assets		44,478	17,813
Amortization of housing loss		36,751	38,059
Amortization of bonds issuance expense		4,302	17,403
Gain on deemed disposal of Huaneng Sichuan Hydropower Co., Ltd. ("Sichuan Hydropower")		—	(17,864)
Gain on disposals of available-for-sale financial asset		—	(527,366)
Provision for impairment on goodwill		130,224	—
Provision for / (Reversal of) provision for doubtful accounts		10,951	(1,466)
Provision for / (Reversal of) inventory obsolescence		3,901	(6,615)
Loss / (Gain) on fair value changes		54,658	(87,132)
Investment income		(51,061)	(40,149)
Loss / (Gain) on disposals or write-off of property, plant and equipment, net		54,056	(238,037)
Unrealized exchange gain, net		(410,827)	(231,795)
Share of profits of associates		(72,688)	(586,323)
Interest income		(83,522)	(53,527)
Interest expense		4,064,779	2,132,122
Changes in working capital:			
Inventories		(2,159,007)	(190,332)
Other receivables and assets		104,165	(201,660)
Accounts receivable		566,249	(1,498,184)
Restricted cash		21,247	(13,520)
Other non-current liabilities		—	251,761
Accounts payable and other liabilities		566,371	195,770
Taxes payable		(370,796)	(40,650)
Salary and welfare payables		(22,345)	(270,994)
Others		(35)	(31,073)
Interest received		72,940	52,825
Income tax expense paid		(414,848)	(1,192,133)
Net cash provided by operating activities		5,185,893	12,078,833

Consolidated Statement of Cash Flows (Cont'd)

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Note	For the year ended 31 December 2008	2007 Restate
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(27,893,520)	(14,223,310)
Proceeds from disposals of property, plant and equipment		25,336	270,131
Prepayments of land use rights		(76,050)	(216,752)
Prepayments of territorial waters use right		—	(152,409)
Increase in other non-current assets		(16,004)	(6,247)
Cash dividend received		381,854	518,934
Capital injections in associates		(281,754)	(1,654,000)
Purchases of financial assets at fair value through profit or loss		—	(370,189)
Cash paid for acquiring available-for-sale financial assets		(146,375)	(449,457)
Proceeds from trading of available-for-sale financial assets		—	603,411
Cash consideration paid for acquisitions		(21,772,563)	(485,750)
Acquisition of minority interest of a subsidiary		(67,485)	—
Cash from acquisition of a subsidiary	40	1,624,108	259,924
Cash outflow upon deemed disposal of Sichuan Hydropower		—	(322,176)
Cash received on repayment of a loan receivable		254,255	—
Others		11,133	(29,465)
Net cash used in investing activities		(47,957,065)	(16,257,355)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of short-term bonds		4,980,000	4,980,000
Repayments of short-term bonds		(5,000,000)	(5,000,000)
Drawdown of short-term loans		57,696,660	23,898,505
Repayments of short-term loans		(39,483,770)	(19,771,700)
Drawdown of long-term bank loans		36,510,900	8,186,176
Repayments of long-term bank loans		(8,265,180)	(3,282,102)
Drawdown of other long-term loans		145,386	—
Repayments of other long-term loans		(1,989,258)	(210,873)
Issuance of long-term bonds		3,933,302	5,903,644
Interest paid		(4,731,749)	(2,722,935)
Net capital injection from minority shareholders of the subsidiaries		1,162,562	116,890
Government grants		236,013	—
Dividends paid to shareholders of the Company		(3,570,334)	(3,375,507)
Dividends paid to minority shareholders of the subsidiaries		(301,662)	(434,205)
Others		(67,579)	—
Net cash provided by financing activities		41,255,291	8,287,893
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,515,881)	4,109,371
Cash and cash equivalents as at beginning of the year		7,312,265	3,207,192
Exchange loss		(229,759)	(4,298)
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	37	5,566,625	7,312,265

The notes on pages 101 to 188 are an integral part of these financial statements.

1. COMPANY ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

During 2008, a significant portion of the Company and its subsidiaries' funding requirements for capital expenditures were partially satisfied by short-term borrowings. Consequently, as at 31 December 2008, the Company and its subsidiaries have a negative working capital balance of approximately RMB32.5 billion (2007: RMB12.8 billion). Taking into consideration of the expected operating cash flow of the Company and its subsidiaries and the undrawn available banking facilities, the Company and its subsidiaries will refinance and / or restructure certain short-term loans into long-term loans and consider alternative sources of financing, where applicable. The directors of the Company are of the opinion that the Company and its subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(b) Consolidation

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

(i) Subsidiaries

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(b) Consolidation *(Cont'd)*

(ii) Transactions with minority interests

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

(iii) Associates

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

When applying equity method, the Company and its subsidiaries adjust net profit or loss of the investees, including the fair value adjustments on the net identifiable assets of the associates and the adjustments to align with the accounting policies of the Company and different financial periods. Current period investment income is then recognized based on the proportionate share of the Company and its subsidiaries in the investees' net profit or loss. Net losses of investees are recognized to the extent of book value of long-term equity investments and any other constituting long-term equity investments in investees in substance. The Company and its subsidiaries will continue to recognize investment losses and provision if they bear additional obligations which meet the recognition criteria under the provision standard. The Company and its subsidiaries adjust the carrying amount of the investment and directly recognize into related equity items based on their proportionate share on other shareholders' equity movements of the investees other than net profit or loss, given there is no change in shareholding ratio. When the investees appropriate profit or declare dividends, the book value of long-term equity investments are reduced correspondingly by the proportionate share of the distribution. Profit or loss from transactions between the Company and its subsidiaries and the associates is eliminated to the extent of interest of the Company and its subsidiaries in the associates. Loss from transactions between the Company and its subsidiaries and the associates is fully recognized and not eliminated when there is evidence for asset impairment.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(b) Consolidation *(Cont'd)*

(iii) Associates (Cont'd)

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

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(d) Foreign currency translation *(Cont'd)*

(iii) Group companies

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

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

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

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

(e) Property, plant and equipment, net

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

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

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

(Amounts expressed in thousands of RMB unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

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

	2008	2007
Port facilities	20 – 40 years	N/A
Buildings	8 – 35 years	15 – 35 years
Electric utility plant in service	5 – 35 years	7 – 35 years
Transportation facilities	6 – 14 years	6 – 15 years
Others	3 – 18 years	4 – 18 years

* The adjustment of the useful life from 2007 to 2008 was primarily attributable to the establishment of Huaneng Yingkou Port Limited Liability Company ("Yingkou Port").

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

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

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

(f) Power generation licence

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(g) Goodwill

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

When performing impairment test, the carrying amount of goodwill is allocated to cash-generating units ("CGUs") according to synergy effect arising from the business combination (Note 17). The Company and its subsidiaries allocate goodwill to those CGUs or groups of CGUs based on operating regions.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(i) Financial assets

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

(iv) Recognition and measurement

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

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

Changes in the fair value of financial assets at fair value through profit or loss are recorded in '(loss) / gain on fair value changes'.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

(v) Impairment of financial assets

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

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

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

(vi) Derivative financial instruments and hedging activities

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

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

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity as a separate component. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within '(loss) / gain on fair value change'.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. In case the Company and its subsidiaries expect all or a portion of net loss previously recognized directly in equity will not be recovered in future financial periods, the irrecoverable portion will be reclassified into income statement.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(j) Inventories

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

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

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

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

(k) Loans and receivables

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(l) Related parties

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

(m) Cash and cash equivalents

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

(n) Payables

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

(o) Borrowings

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

(p) Taxation

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

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

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

The oversea power sales of the Company and its subsidiaries are subjected to goods and service tax of the country where they operate, with applicable tax rate of 7%.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(p) Taxation *(Cont'd)*

(iii) Current and deferred income tax

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

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

The oversea subsidiaries of the Company applies income tax rate of 18%.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(p) Taxation *(Cont'd)*

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

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

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

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

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

(q) Employee benefits

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(r) Government grants

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

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

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

(s) Revenue and income recognition

Revenue is recognized based the following methods:

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

(i) Operating revenue

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

(ii) Management service income

As mentioned in Notes 5&7(b), the Company provides management service to certain power plants owned by Huaneng Group and HIPDC. The Company recognizes management service income as other income when the above-mentioned service is rendered in accordance with the management service agreement.

(iii) Interest income

Interest income from deposits is recognized on a time proportion basis using effective yield method.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(t) Leases

Leases where all the risks and rewards incidental to ownership of the assets are in substance transferred to the lessees are classified as finance leases. All other leases are operating leases.

(i) Operating leases (lessee)

Operating lease expenses are capitalized or expensed on a straight-line basis over the lease term.

(ii) Finance lease (lessor)

The Company and its subsidiaries recognize the aggregate of the minimum lease receipts and the initial direct costs on the lease inception date as the receivable. The difference between the aggregate of the minimum lease receipts and the initial direct costs and sum of their respective present values is recognized as unrealized finance income. The Company and its subsidiaries adopt the effective interest method to allocate such unrealized finance income over the lease term. On balance sheet date, the Company and its subsidiaries present the net amount of finance lease receivable after deducting any unrealized finance income in non-current assets and current assets respectively.

Please refer to Note 2(i)(v) for impairment test on finance lease receivable.

(u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets (including in property, plant and equipment) are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(v) Purchase of electricity

The oversea subsidiary of the Company recognized electricity purchase cost when it purchases the electricity and transmits to its customers.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(w) Financial guarantee contracts

(i) Classification

The Company issues financial guarantee contracts that transfer significant insurance risk.

Financial guarantee contracts are those contracts that require the issuer to make specified payments to reimburse the holders for losses they incur because specified debtors fail to make payments when due in accordance with the original or modified terms of debt instruments.

(ii) Liability adequacy test

At each balance sheet date, the Company and its subsidiaries perform liability adequacy tests to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and related administrative expenses are used. Any deficiency is immediately charged to income statement and by subsequently establishing a provision for losses arising from liability adequacy test.

(x) Dividend distribution

Cash dividend is recognized as a liability in the period when the dividend is approved in the shareholders' meeting.

(y) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(z) Standards and amendments to published standards that are not yet effective but relevant to the Company and its subsidiaries

The following standards and amendments to existing standards have been published that are mandatory for the accounting periods of the Company and its subsidiaries beginning on or after 1 January 2009 or later, but the Company and its subsidiaries have not early adopted:

- International Accounting Standard ("IAS") 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company and its subsidiaries will apply IAS1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

- IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company and its subsidiaries will apply IAS 23 (Revised) from 1 January 2009. The adoption of IAS 23 (Revised) will not affect the Company and its subsidiaries as interest and other costs on borrowings to finance the construction of property, plant and equipment are capitalized under the existing accounting policy of the Company and its subsidiaries.

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in income statement. The Company and its subsidiaries will apply this standard prospectively to transactions with non-controlling interests from 1 January 2010.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(z) Standards and amendments to published standards that are not yet effective but relevant to the Company and its subsidiaries *(Cont'd)*

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company and subsidiaries will apply this standard prospectively to all business combinations from 1 January 2010.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 'Segment Reporting' and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purpose. The Company and its subsidiaries will apply IFRS 8 from 1 January 2009. Management considered there is no material impact from adopting this new standard on the financial statements of the Company and its subsidiaries.

IASB's annual improvements project published in May 2008

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: recognition and measurement' are examples of current assets and liabilities respectively. The Company and its subsidiaries will apply the IAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on financial statements of the Company and its subsidiaries.

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: presentation' and IFRS 7, 'Financial instruments: disclosures') (effective from 1 January 2009). An investment in an associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Company and its subsidiaries will apply the IAS 28 (Amendment) to impairment tests related to investments in associates and any related impairment losses from 1 January 2009.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(z) Standards and amendments to published standards that are not yet effective but relevant to the Company and its subsidiaries *(Cont'd)*

IASB's annual improvements project published in May 2008 *(Cont'd)*

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company and its subsidiaries will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight line method. The Company and its subsidiaries will apply the IAS 38 (Amendment) from 1 January 2009.

- IAS 39 (Amendment), 'Financial instruments: recognition and measurement' (effective from 1 January 2009).

  ➢ This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended.

  ➢ The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity.

  ➢ When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

  The Company and its subsidiaries will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have material impact on income statement of the Company and its subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

(z) Standards and amendments to published standards that are not yet effective but relevant to the Company and its subsidiaries *(Cont'd)*

IASB's annual improvements project published in May 2008 *(Cont'd)*

- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (effective from 1 July 2009). The amendment clarifies that all assets and liabilities of a subsidiary are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The Company and its subsidiaries will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the balance sheet date', IAS 16, 'Property, plant and equipment', IAS 18, 'Revenue', IAS 20, 'Accounting for government grants and disclosure of government assistance' , IAS 23, 'Borrowing costs' and IAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have a material impact on financial statements of the Company and its subsidiaries.

3. FINANCIAL, CAPITAL AND INSURANCE RISKS MANAGEMENT

(a) Financial risk management

Risk management, including the management on the financial risks, is carried out under the instruction of the Strategic Committee of Board of Directors and the Risk Management Team. The Company works out general principles for overall management as well as management policies covering specific areas. In considering the importance of risks, the Company identifies and evaluates risks at head office and individual power plant level, and requires analysis and proper communication for the information collected periodically.

SinoSing Power and its subsidiaries are subject to financial risks that are different from the entities operating within the PRC. They have a series of controls in place to maintain the cost of risks occurring and the cost of managing the risks at an acceptable level. Management continually monitors the risk management process to ensure that an appropriate balance between risk and control is achieved. SinoSing Power and its subsidiaries have their written policies and financial authorization limits in place they are reviewed periodically. These financial authorization limits seek to mitigate and eliminate operational risks by setting approval thresholds required for entering into contractual obligations and investments.

3. FINANCIAL, CAPITAL AND INSURANCE RISKS MANAGEMENT *(Cont'd)*

(a) Financial risk management *(Cont'd)*

(i) Market risk

(1) Foreign exchange risk

Foreign exchange risk of the entities operating within the PRC primarily arises from loans denominated in foreign currencies of the Company and its subsidiaries. SinoSing Power and its subsidiaries are exposed to foreign exchange risk on loans, accounts payable and other payables that are denominated primarily in US$, a currency other than Singapore dollar ("S$"), their functional currency. Please refer to Notes 26 and 29 for details. The Company and its subsidiaries manage exchange risk through closely monitoring interest and exchange market.

As at 31 December 2008, if RMB had weakened / strengthened by 5% (2007: 5%) against US$ and 3% (2007: 3%) against € with all other variables constant, exchange gain of the Company and its subsidiaries would have been RMB393 million (2007: RMB174 million) and RMB16 million (2007: RMB20 million) lower / higher respectively. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related exchange rates during the previous year under analysis.

As at 31 December 2008, if S$ had weakened / strengthened by 10% against US$ with all other variables constant, exchange gain of SinoSing Power and its subsidiaries would have been RMB398 million lower / higher respectively. The ranges of such sensitivity disclosed above were based on the management's experience and forecast.

SinoSing Power and its subsidiaries also exposed to foreign exchange risk on fuel purchase that is denominated primarily in US$. They use forward exchange contracts to hedge almost all of its estimated foreign exchange exposure in respect of forecast fuel purchases over the following three months. The Company and its subsidiaries classify its forward foreign currency contracts as cash flow hedges. Please refer to Note 19 for details.

3. FINANCIAL, CAPITAL AND INSURANCE RISKS MANAGEMENT *(Cont'd)*

(a) Financial risk management *(Cont'd)*

(i) Market risk (Cont'd)

(2) Price risk

The available-for-sale financial assets of the Company and its subsidiaries are exposed to equity security price risk. The exposure of such a risk is presented on the balance sheets.

Detailed information relating to the available-for-sale financial assets are disclosed in Note 14. Being a strategic investment in nature, the Company has a director in the Board of the investee and exercises influence in safeguarding the interest. The Company also closely monitor the pricing trends in the open market in determining their long-term strategic stakeholding decisions.

The Company and its subsidiaries exposed to fuel price risk on fuel purchases. The Company and its subsidiaries entered into various long-term agreements to avoid the significant price changes. SinoSing Power and its subsidiaries also use fuel oil swap to hedge against such risk and designate them as cash flow hedges. Please refer to Note 19 for details.

(3) Cash flow interest rate risk

The interest rate risk of the Company and its subsidiaries primarily arises from loans. Loans borrowed at variable rates expose the Company and its subsidiaries to cash flow interest rate risk. The exposures of these risks are disclosed in Note 26 to the financial statements. The Company will enter into interest rate swap agreements with banks when considered appropriate to hedge against cash flow interest rate risk.

As at 31 December 2008, if interest rates on RMB-denominated borrowings had been 50 basis points (2007: 50 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB294 million (2007: RMB198 million) higher/lower. If interest rates on US$-denominated borrowings had been 50 basis points (2007: 50 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB56 million (2007: RMB17 million) higher/lower. If interest rates on S$-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, interest expense for the year would have been RMB114 million higher/lower. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related interest rates during the previous year under analysis.

3. FINANCIAL, CAPITAL AND INSURANCE RISKS MANAGEMENT *(Cont'd)*

(a) Financial risk management *(Cont'd)*

(ii) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, other receivables and loans to subsidiaries. The maximum exposures of cash and cash equivalents, accounts and other receivable are disclosed in Notes 37, 22 and 21 to the financial statements, respectively while maximum exposures of loans to subsidiaries are presented on balance sheets.

Cash and cash equivalents are placed with banks and financial institutions which are regulated, including which a significant portion of cash and cash equivalents of the Company and its subsidiaries is deposited with a non-bank financial institution which is a related party of the Company. The Company has a director in the Board of this non-bank financial institution and exercises influence. Corresponding maximum exposures of these cash equivalents are disclosed in Note 7(a)(i) to the financial statements.

Most of the power plants of the Company and its subsidiaries operating within PRC sell electricity generated to their sole customers, the power grid companies of their respective provinces or regions where the power plants operate. These power plants communicate with their individual grid companies periodically and believe that adequate provision for doubtful accounts have been made in the financial statements.

SinoSing Power and its subsidiaries derive their revenue mainly from sale of electricity to the National Electricity Market of Singapore operated by Energy Market Company Pte Ltd., which is not expected to have high credit risk.

A subsidiary of SinoSing Power also derives its revenue mainly from retailing electricity to consumers with monthly consumption of more than 10,000kWh. These customers engage in a wide spectrum of manufacturing and commercial activities in a variety of industries. The subsidiary holds cash deposits and guarantees from creditworthy financial institutions to secure substantial obligations of the customers.

The concentrations of accounts receivable are disclosed in Note 41.

Regarding balances with subsidiaries, the Company and its subsidiaries can obtain the financial statements of all subsidiaries and assess the financial performance and cash flows of those subsidiaries periodically to manage the credit risk of loans.

3. FINANCIAL, CAPITAL AND INSURANCE RISKS MANAGEMENT *(Cont'd)*

(a) Financial risk management *(Cont'd)*

(iii) Liquidity risk

Liquidity risk management is to primarily ensure the ability of the Company and its subsidiaries to meet its liabilities as and when they are fall due. The liquidity reserve comprises the undrawn borrowing facility and cash and cash equivalents (Note 37) available as at each month end in meeting its liabilities.

The Company and its subsidiaries maintained flexibility in funding by cash generated by their operating activities and availability of committed credit facilities (Note 37).

Financial liabilities due within 12 months are presented as the current liabilities in the balance sheets. The repayment schedules of the long-term loans and long-term bonds and cash flows for derivative financial liabilities are disclosed in Notes 26, 27 and 19 respectively.

(b) Fair value estimation

The fair value of financial instruments traded in active markets (such as available-for-sale) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company and its subsidiaries is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company and its subsidiaries use a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques includes making reference to the prices used by knowledgeable and willing parties in a recent transaction, the current fair value of other financial assets that are same in substance, discounted cash flow method and option pricing model, etc., are used to determine fair value for available-for-sale, forward exchange contracts, fuel oil swaps, long-term loans and long-term bonds.

The carrying value less provision for doubtful accounts of accounts receivable, other receivables and assets, accounts payable, other liabilities, short-term bonds and short-term loans are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and its subsidiaries for similar financial instruments.

The estimated fair value of long-term loans including current maturities and long-term bonds was approximately RMB65.49 billion and approximately RMB11.31 billion as at 31 December 2008 (2007: RMB37.22 billion and RMB5.89 billion) respectively. The aggregate book value of these liabilities was approximately RMB65.57 billion and RMB9.83 billion as at 31 December 2008 (2007: RMB37.66 billion and RMB5.89 billion) respectively.

3. FINANCIAL, CAPITAL AND INSURANCE RISKS MANAGEMENT *(Cont'd)*

(c) Capital risk management

The objectives of the Company and its subsidiaries when managing capital are to safeguard the ability of the Company and its subsidiaries in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company and its subsidiaries monitor capital by using debt ratio analysis. This ratio is calculated as total liabilities (sum of current liabilities and non-current liabilities) divided by total assets as shown in consolidated balance sheet. During 2008, the strategy of the Company and its subsidiaries remained unchanged from 2007. The debt ratio of the Company and its subsidiaries as at 31 December 2008 was 74.35% (2007: 58.10%). The significant change of the debt ratio was primarily attributable to the increase of the loans for the acquisition and construction of power plants. Taking into consideration of the expected operating cash flow of the Company and its subsidiaries and the available banking facilities and their experience in refinancing short-term debts, the management believes the Company and its subsidiaries can meet their current obligations when they fall due.

(d) Insurance risk management

The Company and its subsidiaries issue contracts that transfer significant insurance risk.

The risk relates to the financial guarantees provided to banks by the Company on the borrowings of an associate and a subsidiary. The risk under any one financial guarantee contract is the possibility that the insured event (default of a specified debtor) occurs and the uncertainty of the amount of the resulting claims. By the nature of a financial guarantee contract, this risk is predictable.

Experience shows credit risks from the specified debtors are relatively remote. The Company maintains a close watch on the financial position and liquidity of the associate and subsidiary for which financial guarantees have been granted in order to mitigate such risks (Note 2(w)(ii)). The Company takes all reasonable steps to ensure that they have appropriate information regarding any claim exposures.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Accounting estimates on impairment of goodwill and power generation licence

The Company and its subsidiaries perform test annually whether goodwill and power generation licence have suffered any impairment in accordance with the accounting policies stated in Notes 2(g) and 2(f). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Notes 17 and 16). It is reasonably possible, based on existing knowledge, that outcomes within the next financial period that are different from assumptions could require a material adjustment to the carrying amount of goodwill and power generation licence.

Changes of assumptions in tariff and fuel price will affect the result of goodwill impairment assessment. As at 31 December 2008, if tariff had decreased by 1% or 5% from management's estimates with other variables constant with the expectations, the Company and its subsidiaries would have to further recognize impairment against goodwill by approximately RMB85 million and RMB1,024 million, respectively. If fuel price had increased by 1% or 5% from the management's estimates with other variables constant with the expectations, the Company and its subsidiaries would have to further recognize impairment against goodwill by approximately RMB41 million and RMB229 million, respectively.

(b) Useful life of power generation licence

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Cont'd)*

(c) Useful lives of property, plant and equipment

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

(d) Estimated impairment of property, plant and equipment

The Company and its subsidiaries test whether property, plant and equipment suffered any impairment whenever any impairment indication exists. In accordance with Note 2(h), an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. It is reasonably possible, based on existing knowledge, that outcomes within the next financial period that are different from assumptions could require a material adjustment to the carrying amount of property, plant and equipment.

Changes of assumptions in tariff and fuel price will affect the result of property, plant and equipment impairment assessment. As at 31 December 2008, if tariff had decreased by 1% or 5% from management's estimates with other variables constant with the expectations, the Company and its subsidiaries would have to further recognize impairment against property, plant and equipment by approximately RMB431 million and RMB5,331 million, respectively. If fuel price had increased by 1% or 5% from the management's estimates with other variables constant with the expectations, the Company and its subsidiaries would have to further recognize impairment against property, plant and equipment by approximately RMB235 million and RMB3,178 million, respectively.

(e) Estimate of income tax expense

The Company and its subsidiaries recognize deferred income tax assets to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference, deductible tax loss and tax credit. It is reasonably possible, based on existing knowledge, that outcomes that are different from assumptions of future taxable profit could require a material adjustment of deferred income tax assets.

5. OTHER INCOME, NET

Net other income represented the management service fee income net of relevant expenses. Pursuant to a management service agreement entered into with Huaneng Group and HIPDC, the Company provided management services to certain power plants owned by Huaneng Group and HIPDC in return for a service fee.

(Amounts expressed in thousands of RMB unless otherwise stated)

6. (LOSS) / PROFIT BEFORE INCOME TAX EXPENSE

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

	For the year ended 31 December	
	2008	2007
Interest expense on bank loans:		
– wholly repayable within five years	3,200,296	1,854,879
– not wholly repayable within five years	976,670	567,464
Interest expense on long-term loans from Huaneng Group:		
– wholly repayable within five years	38,768	—
– not wholly repayable within five years	99,435	137,942
Interest expense on other long-term loans:		
– wholly repayable within five years	4,584	14,945
– not wholly repayable within five years	1,078	—
Interest expense on long-term bonds	499,115	7,030
Interest expense on short-term bonds	242,720	163,951
Total interest expense	5,062,666	2,746,211
Less: amounts capitalized in property, plant and equipment	(997,887)	(614,089)
	4,064,779	2,132,122
Loss / (Gain) on fair value change of derivative financial instruments	54,658	(87,132)
Gain on deemed disposal of Sichuan Hydropower	—	(17,864)
Auditors' remuneration	30,555	34,688
Loss / (Gain) on disposals or write-off of property, plant and equipment, net	54,056	(238,037)
Operating leases:		
– Property, plant and equipment	32,894	34,366
– Land use rights	39,318	40,819
Depreciation of property, plant and equipment	7,752,706	7,229,108
Impairment loss of property, plant and equipment	—	7,044
Impairment of goodwill	130,224	—
Amortization of land use rights	74,800	46,447
Amortization of other non-current assets	44,478	17,813
Cost of inventories consumed	50,476,167	28,330,667
Provision for / (Reversal of) doubtful accounts	10,951	(1,466)
Bad debts recovery	(50,096)	(5,318)
Provision for / (Reversal of) inventory obsolescence	3,901	(6,615)

Other operating expenses consist of environmental protection expenses, substituted power arrangement expenses, insurance and other miscellaneous expenses, etc.

7. RELATED PARTY BALANCES AND TRANSACTIONS

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

Names of related parties	Nature of relationship
Huaneng Group	Ultimate parent company
HIPDC	Parent company
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
Qufushengcheng Heat-Power Company Ltd. ("Qufushengcheng Heat-Power Company")	A subsidiary of Huaneng Group
Huaneng Hulunbeier Energy Development Company Ltd. ("Hulunbeier Energy")*	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 Lime Company Limited ("Lime Company")	An associate of a subsidiary
State-owned enterprises**	Related parties of the Company

* Zhalainuoer Coal Mining Company Ltd. ("Zhalainuoer Coal") is a subsidiary of Hulunbeier Energy which the latter entity controls the coal transactions with the Company and its subsidiaries. Hence, the disclosures of related party are changed from Zhalainuoer Coal to Hulunbeier Energy.

** 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 balances and 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 balances and transactions have been adequately disclosed.

In addition to the related party information shown elsewhere in the financial statements, 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 year and significant balances arising from related party transactions as at year end.

(Amounts expressed in thousands of RMB unless otherwise stated)

7. RELATED PARTY BALANCES AND TRANSACTIONS *(Cont'd)*

(a) Related party balances

(i) Cash deposits in a related party

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Deposits in Huaneng Finance				
– Savings deposit	3,539,564	4,942,264	964,509	3,244,250

For the year ended 31 December 2008, the annual interest rates for these savings deposits placed with Huaneng Finance ranged from 0.36% to 1.44% (2007: from 0.72% to 1.53%).

(ii) As described in Note 26, certain loans of the Company and its subsidiaries were borrowed from Huaneng Group.

(iii) As described in Notes 26 and 32, certain loans of the Company and its subsidiaries were borrowed from Huaneng Finance.

(iv) As at 31 December 2008 and 2007, balances with Huaneng Group, HIPDC, subsidiaries, and associates are unsecured, non-interest bearing and receivable/repayable within one year. As at and for the years ended 31 December 2008 and 2007, no provision is made on receivable balances from these parties.

(v) As at 31 December 2008 and 2007, balances with other related parties are unsecured, non-interest bearings and receivable / repayable within one year other than prepayments for equipment of approximately RMB156 million (2007: Nil) which are presented in non-current assets. As at and for the years ended 31 December 2008 and 2007, no provision is made on receivable balances from these other related parties.

(Amounts expressed in thousands of RMB unless otherwise stated)

7. RELATED PARTY BALANCES AND TRANSACTIONS *(Cont'd)*

(a) Related party balances *(Cont'd)*

(vi) Included in the balance sheets, the balances with state-owned enterprises are as follows:

	The Company and its subsidiaries		The Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
	RMB million	RMB million	RMB million	RMB million
Receivables and other assets, net	7,137	8,465	4,171	4,447
Cash at banks	631	2,335	323	2,014
Borrowings	74,410	37,787	39,824	15,660
Accounts payable and other liabilities	4,032	4,346	2,222	3,105

As at 31 December 2008, accounts receivable of approximately RMB505 million was secured to a bank as collateral against a short-term loan of RMB500 million (2007: Nil). Except for cash at banks, borrowings and accounts receivable mentioned above, all the balances of assets and liabilities with state-owned enterprises mentioned above are unsecured, non-interest bearing and receivable/repayable within one year. As at 31 December 2008, no provision (2007: RMB51 million) has been made on receivable balances.

Terms of the long-term loans, short-term loans and cash at banks are described in Notes 26, 32 and 37, which have no material difference with the terms with third parties.

7. RELATED PARTY BALANCES AND TRANSACTIONS *(Cont'd)*

(b) Related party transactions

(i) Pursuant to a leasing agreement entered into between the Company and HIPDC, HIPDC leased the land use right to Nanjing Power Plant for 50 years from 1 January 1999 at an annual rental payment of RMB1.334 million. For the year ended 31 December 2008, total rental fees of the land use right were RMB1.334 million (2007: RMB1.334 million).

(ii) Pursuant to a leasing agreement between the Company and HIPDC, HIPDC leases its office building to the Company from 1 January 2005 for 5 years at an annual rental of RMB26 million. For the year ended 31 December 2008, the rental expense of office building was RMB26 million (2007: RMB26 million).

(iii) Please refer to Note 26 for details of long-term loans on-lent from Huaneng Group through Huaneng Finance to the Company and its subsidiaries. For the year ended 31 December 2008, total long-term loan interest incurred by the Company and its subsidiaries to Huaneng Group amounted to RMB139.25 million (2007: RMB137.94 million).

(iv) For the year ended 31 December 2008, drawdown of short-term loans from Huaneng Finance to the Company and its subsidiaries amounted to RMB1,590 million (2007: RMB2,248 million). Drawdown of long-term loans from Huaneng Finance amounted to RMB130 million (2007: Nil). The interest rates for such loans have no material difference from the prevailing average market interest rates. For the year ended 31 December 2008, total short-term loan interest incurred by the Company and its subsidiaries to Huaneng Finance amounted to RMB115.18 million (2007: RMB138.29 million) while long-term loan interest incurred by the Company and its subsidiaries to Huaneng Finance amounted to RMB0.5 million (2007: Nil).

(v) On 6 November 2007 and 8 August 2007, the Company entered into management service agreements with Huaneng Group and HIPDC, respectively. Pursuant to the management service agreements, the Company provides management services to certain power plants owned by Huaneng Group and HIPDC for 3 years. For the year ended 31 December 2008, the total service fees earned from Huaneng Group and HIPDC amounted to RMB39.16 million (2007: RMB41.79 million) and RMB14.08 million (2007: RMB3.98 million), respectively. For the year ended 31 December 2008, the related costs incurred for the management services rendered amounted to approximately RMB33.52 million (2007: RMB33.15 million).

(vi) For the year ended 31 December 2008, coal sold by the Company and its subsidiaries to HEC and its subsidiaries amounted to RMB13.92 million (2007: Nil)*.

(vii) For the year ended 31 December 2008, coal purchased by the Company and its subsidiaries from Rizhao Power Company amounted to RMB8.30 million (2007: Nil)*.

(viii) For the year ended 31 December 2008, coal and transportation services provided by HEC and its subsidiaries to the Company and its subsidiaries amounted to RMB4,198 million (2007: RMB2,907 million)*.

7. RELATED PARTY BALANCES AND TRANSACTIONS *(Cont'd)*

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

(ix) For the year ended 31 December 2008, coal purchased by the Company and its subsidiaries from Hulunbeier Energy amounted to RMB167.15 million (2007: RMB8.56 million)*.

(x) For the year ended 31 December 2008, equipment purchased by the Company and its subsidiaries from HEC and its subsidiaries amounted to approximately RMB458.02 million (2007: RMB247.76 million)*.

(xi) For the year ended 31 December 2008, lime products purchased by the Company and its subsidiaries from Lime Company amounted to approximately RMB73.19 million (2007: RMB63.51 million)*.

(xii) For the year ended 31 December 2008, information and technology supporting services rendered by Xi'an Thermal and its subsidiaries to the Company and its subsidiaries amounted to approximately RMB217 million (2007: RMB139 million)*.

(xiii) The Company and its subsidiaries generated power on behalf of China Huaneng (Group) Baiyanghe Power Plant ("Baiyanghe Power Plant"), a branch of Huaneng Group and Qufushengcheng Heat-Power Company. The transacting parties changed their settlement method from direct settlement with these related parties by the Company and its subsidiaries in 2007 to payments made to these related parties after receiving settlements from power grid company in 2008. For the year ended 31 December 2008, the Company and its subsidiaries incurred cost of RMB15.16 million for the arrangement above with Baiyanghe Power Plant (2007: revenue generated by the Company and its subsidiaries from Baiyanghe Power Plant amounted to RMB6.24 million) while no such arrangement with Qufushengcheng Heat-Power Company this year (2007: revenue from Qufushengcheng Heat-Power Company amounted to RMB23.06 million)*.

(xiv) On 10 March 2008, SinoSing Power was incorporated as an oversea vehicle of Huaneng Group and on 24 March 2008, acquired 100% equity interest of Tuas Power from Temasek Holdings (Private) Limited ("Temasek") in Singapore. On 29 April 2008, the Company entered into a transfer agreement with Huaneng Group, pursuant to which the Company agreed to acquire from Huaneng Group 100% equity interest in SinoSing Power. The consideration paid comprises the whole costs incurred by Huaneng Group, including (1) approximately US$985 million being the capital injected into SinoSing Power by Huaneng Group and (2) an aggregate amount of approximately RMB176 million being all the related expenses (including loan interest) directly incurred in connection with the acquisition of 100% equity interest of Tuas Power, with total amounted to RMB7.08 billion, please refer to Note 40 for details.

* The amounts of related party transactions above have excluded VAT.

(Amounts expressed in thousands of RMB unless otherwise stated)

7. RELATED PARTY BALANCES AND TRANSACTIONS *(Cont'd)*

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

Transactions with state-owned enterprises

	For the year ended 31 December	
	2008 RMB million	2007 RMB million
Sales of electricity	57,124	49,628
Purchases of fuel	(26,323)	(17,888)
Acquisitions of property, plant and equipment	(11,981)	(5,331)
Subcontracting labor for construction and renovation	(3,217)	(2,092)
Drawdown of short-term loans	43,706	18,299
Drawdown of long-term bank loans	35,764	8,136
Interest expense of loans to banks and other financial institutions	(3,553)	(1,905)

(c) Guarantees

	As at 31 December	
	2008	2007
(i) Short-term loan guaranteed by state-owned banks	—	1,000,000
(ii) Long-term loans guaranteed by		
– Huaneng Group	1,100,117	1,462,140
– HIPDC	1,463,511	2,041,783
– State-owned enterprises	3,100,000	100,000
(iii) Certain long-term bank loans of Rizhao Power Company guaranteed by the Company	(43,563)	(86,063)
(iv) Long-term bonds guaranteed by		
– HIPDC	4,000,000	—
– State-owned banks	6,000,000	6,000,000

(d) Pre-tax benefits and social insurance of key management personnel

	For the year ended 31 December	
	2008	2007
Salaries	7,121	6,930
Pension	1,539	1,529
Total	8,660	8,459

8. LABOR COST

Other than the salaries and staff welfare, the labor cost of the Company and its subsidiaries mainly comprises the following:

All PRC employees of the Company and its subsidiaries are entitled to a monthly pension upon their retirements. The PRC government is responsible for the pension liability to these employees on retirement. The Company and its subsidiaries are required to make contributions to the publicly administered retirement plan for their PRC employees at a specified rate, currently set at 18% to 22% (2007: 18% to 22%), of the basic salary of the PRC employees. The retirement plan contributions paid by the Company and its subsidiaries for the year ended 31 December 2008 were approximately RMB311 million (2007: RMB281 million), including approximately RMB300 million (2007: RMB278 million) charged to the income statement.

In addition, the Company and its subsidiaries have also implemented a supplementary defined contribution retirement scheme for PRC employees. Under this scheme, the employees are required to make a specified contribution based on the number of years of service with the Company and its subsidiaries, and the Company and its subsidiaries are required to make a contribution equal to two to three times the employees' contributions, such amount is payable from the approved salary budget. The employees will receive the total contributions upon their retirement. For the year ended 31 December 2008, the contributions to supplementary defined contribution retirement scheme paid by the Company and its subsidiaries amounted to approximately RMB203 million (2007: RMB257 million), including approximately RMB195 million (2007: RMB251 million) charged to the income statement.

SinoSing Power and its subsidiaries in Singapore appropriate a specified rate, currently set at 5% to 14.5% of the basic salary to central provident funds in accordance with the local government regulations. The contributions paid by SinoSing Power and its subsidiaries for the year ended 31 December 2008 are approximately RMB6.04 million, which all charged to the income statement.

The Company and its subsidiaries have no further obligation for post-retirement benefits beyond the above annual contributions made.

The Company and its subsidiaries also make contributions of social insurance and housing funds to the social security institution at a specified rate of the basic salary and no more than the upper limit. The housing funds and social insurance contributions paid by the Company and its subsidiaries were charged to the costs or expenses, the amount of which for the year ended 31 December 2008 were approximately RMB214 million and RMB200 million (2007: RMB196 million and RMB182 million).

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

9. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT' EMOLUMENTS

(a) Pre-tax benefits and social insurance of directors and supervisors

The remuneration of every director and supervisor of the Company for the year ended 31 December 2008 is set out below:

	Fees	Basic salaries	Performance salaries	Pension	Total
Name of director					
Mr. Cao Peixi[1]	—	—	—	—	—
Mr. Huang Long	—	—	—	—	—
Mr. Wu Dawei	—	83	319	90	492
Mr. Huang Jian[1]	—	—	—	—	—
Mr. Liu Guoyue[2,6]	—	112	538	114	764
Mr. Fan Xiaxia[2,7]	—	112	538	113	763
Mr. Shan Qunying	48	—	—	—	48
Mr. Xu Zujian	48	—	—	—	48
Ms. Huang Mingyuan[2]	24	—	—	—	24
Mr. Liu Shuyuan	48	—	—	—	48
Mr. Liu Jipeng	74	—	—	—	74
Mr. Yu Ning	74	—	—	—	74
Mr. Shao Shiwei[2]	37	—	—	—	37
Mr. Zheng Jianchao[2]	37	—	—	—	37
Mr. Wu Liansheng[2]	37	—	—	—	37
Mr. Li Xiaopeng[3]	—	—	—	—	—
Mr. Huang Yongda[4]	—	—	—	—	—
Mr. Na Xizhi[5]	—	86	12	64	162
Mr. Ding Shida[5]	24	—	—	—	24
Mr. Qian Zhongwei[5]	37	—	—	—	37
Mr. Xia Donglin[5]	37	—	—	—	37
Mr. Wu Yusheng[5]	37	—	—	—	37
Sub-total	562	393	1,407	381	2,743
Name of supervisor					
Mr. Guo Junming	—	—	—	—	—
Ms. Yu Ying	48	—	—	—	48
Ms. Wu Lihua[2]	—	—	—	—	—
Mr. Gu Jianguo	48	—	—	—	48
Mr. Wang Zhaobin[2]	—	135	490	140	765
Mr. Dai Xinmin[2]	—	92	255	78	425
Mr. Shen Zongmin[5]	24	—	—	—	24
Ms. Zou Cui[5]	—	43	139	51	233
Sub-total	120	270	884	269	1,543
Total	682	663	2,291	650	4,286

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT' EMOLUMENTS *(Cont'd)*

(a) Pre-tax benefits and social insurance of directors and supervisors *(Cont'd)*

The remuneration of every director and supervisor of the Company for the year ended 31 December 2007 is set out below:

	Fees	Basic salaries	Performance salaries	Pension	Total
Name of director					
Mr. Li Xiaopeng[3]	—	—	—	—	—
Mr. Huang Yongda[4]	—	—	—	—	—
Mr. Huang Long	—	—	—	—	—
Mr. Na Xizhi[5]	—	222	627	197	1,046
Mr. Wu Dawei	—	124	544	123	791
Mr. Shan Qunying	40	—	—	—	40
Mr. Ding Shida[5]	40	—	—	—	40
Mr. Xu Zujian	40	—	—	—	40
Mr. Liu Shuyuan	40	—	—	—	40
Mr. Qian Zhongwei[5]	60	—	—	—	60
Mr. Xia Donglin[5]	60	—	—	—	60
Mr. Liu Jipeng	60	—	—	—	60
Mr. Wu Yusheng[5]	60	—	—	—	60
Mr. Yu Ning	60	—	—	—	60
Sub-total	460	346	1,171	320	2,297
Name of supervisor					
Mr. Guo Junming	—	—	—	—	—
Ms. Yu Ying	40	—	—	—	40
Mr. Gu Jianguo	40	—	—	—	40
Mr. Shen Zongmin[5]	40	—	—	—	40
Ms. Zou Cui[5]	—	126	458	138	722
Mr. Wang Zhaobin	—	125	457	134	716
Sub-total	120	251	915	272	1,558
Total	580	597	2,086	592	3,855

(Amounts expressed in thousands of RMB unless otherwise stated)

9. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT' EMOLUMENTS *(Cont'd)*

(a) Pre-tax benefits and social insurance of directors and supervisors *(Cont'd)*

[1] Appointed on 27 August 2008.

[2] Appointed on 13 May 2008.

[3] Mr. Li Xiaopeng resigned from the capacity of chairman and director on 2 June 2008.

[4] Mr. Huang Yongda resigned from the capacity of vice chairman and director on 27 August 2008.

[5] Retired on 13 May 2008.

[6] Excluded from basic salaries, performance salaries and pension received before appointed as the director amounting to RMB0.045 million, RMB0.184 million and RMB0.062 million, respectively.

[7] Excluded from basic salaries, performance salaries and pension received before appointed as the director amounting to RMB0.045 million, RMB0.184 million and RMB0.062 million, respectively.

During the year, no option was granted to the directors or the supervisors (2007: Nil).

During the year, no emolument was paid to the directors or the supervisors (including the five highest paid employees) as an inducement to join or upon joining the Company or as compensation for loss of office (2007: Nil).

No director or supervisor had waived or agreed to waive any emoluments during the years 2008 and 2007.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Company and its subsidiaries for the year include two (2007: one) directors and one (2007: Nil) supervisor whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: four) individuals during the year (fell within the range of Nil to RMB1 million) are as follows:

	For the year ended 31 December	
	2008	2007
Basic salaries	292	536
Performance salaries	1,091	2,406
Pension	330	657
	1,713	3,599

(Amounts expressed in thousands of RMB unless otherwise stated)

10. SEGMENT INFORMATION

(a) Primary reporting format – geographical segments

The Company and its subsidiaries elected the geographical segments as primary reporting format. During the year, the Company and its subsidiaries have business operations in the PRC and Singapore.

The segment information as at and for the year ended 31 December 2008 is as follows:

Geographical segments	PRC	Singapore	Total
Segment revenue	57,203,465	10,360,350	67,563,815
Segment expenses	(58,654,830)	(9,840,015)	(68,494,845)
Segment results	(1,451,365)	520,335	(931,030)
Unallocated expenses			(324,919)
Operating loss			(1,255,949)
Interest income			83,522
Interest expense			(4,064,779)
Exchange gain and bank charges, net			356,836
Share of profits of associates	72,688	—	72,688
Loss on fair value change			(54,658)
Investment income			51,061
Other income, net			19,723
Loss before income tax expense			(4,791,556)
Income tax benefit			239,723
Loss for the year			(4,551,833)
Other assets	131,243,943	23,824,750	155,068,693
Investments in associates	8,758,235	—	8,758,235
Add: unallocated assets			2,090,830
Total assets			165,917,758
Segment liabilities	10,416,317	1,812,038	12,228,355
Add: unallocated liabilities			111,129,450
Total liabilities			123,357,805

(Amounts expressed in thousands of RMB unless otherwise stated)

10. SEGMENT INFORMATION *(Cont'd)*

(a) Primary reporting format – geographical segments *(Cont'd)*

Geographical segments	PRC	Singapore	Total
Depreciation and amortization	7,434,858	392,378	7,827,236
Add: depreciation and amortization of unallocated assets			17,095
Total depreciation and amortization included in profit and loss			7,844,331
Provision for inventory obsolescence	235	3,666	3,901
(Reversal of) / Provision for doubtful accounts on receivables	(15,345)	26,296	10,951
Impairment of goodwill	130,224	—	130,224
Segment addition of capital assets	28,667,051	22,387,050	51,054,101
Add: unallocated addition of capital assets			11,518
Total additions of capital assets			51,065,619

The Company and its subsidiaries were principally operated in the PRC prior to 2008, no comparative disclosure for geographical segment is presented above.

(b) Secondary reporting format – business segments

The Company and its subsidiaries are principally engaged in power business. No business segments are presented.

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT, NET

	The Company and its subsidiaries							
	Dam	Port facilities	Buildings	Electric utility plant in service	Transportation facilities	Others	Construction-in-progress	Total
As at 1 January 2007								
Cost	3,553,170	—	2,053,942	106,111,993	224,007	2,386,701	12,498,547	126,828,360
Accumulated depreciation	(169,745)	—	(492,405)	(34,363,986)	(100,098)	(1,215,901)	—	(36,342,135)
Accumulated impairment loss	—	—	—	(42,000)	—	—	—	(42,000)
Net book value	3,383,425	—	1,561,537	71,706,007	123,909	1,170,800	12,498,547	90,444,225
Year ended 31 December 2007								
Beginning of the year	3,383,425	—	1,561,537	71,706,007	123,909	1,170,800	12,498,547	90,444,225
Reclassification	—	—	131,973	(188,275)	(19,800)	76,102	—	—
Acquisition	—	—	98,889	1,816,102	—	23,165	635,171	2,573,327
Additions	—	—	16,395	30,494	—	105,875	15,386,036	15,538,800
Transfer from CIP	—	—	314,883	13,070,043	5,565	211,436	(13,601,927)	—
Disposals / Write-off	—	—	(6,613)	(243,984)	—	(14,759)	—	(265,356)
Depreciation charge	—	—	(98,590)	(6,896,759)	(15,409)	(233,825)	—	(7,244,583)
Impairment charge	—	—	—	(7,044)	—	—	—	(7,044)
Deemed disposal of a subsidiary (Note 12)	(3,383,425)	—	(354,363)	(4,909,687)	—	(201,361)	(2,064,614)	(10,913,450)
End of the year	—	—	1,664,111	74,376,897	94,265	1,137,433	12,853,213	90,125,919
As at 31 December 2007								
Cost	—	—	2,234,479	114,342,118	206,956	2,452,285	12,853,213	132,089,051
Accumulated depreciation	—	—	(570,368)	(39,965,221)	(112,691)	(1,314,852)	—	(41,963,132)
Net book value	—	—	1,664,111	74,376,897	94,265	1,137,433	12,853,213	90,125,919

(Amounts expressed in thousands of RMB unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT, NET *(Cont'd)*

	The Company and its subsidiaries							
	Dam	Port facilities	Buildings	Electric utility plant in service	Transportation facilities	Others	Construction-in-progress	Total
Year ended 31 December 2008								
Beginning of the year	—	—	1,664,111	74,376,897	94,265	1,137,433	12,853,213	90,125,919
Reclassification	—	—	(11,526)	(32,261)	—	43,787	—	—
Acquisitions	—	—	—	5,983,679	—	12,460	80,441	6,076,580
Additions	—	1,315,393	29,211	185,228	—	201,613	27,029,948	28,761,393
Transfer from CIP	—	—	41,538	14,919,194	—	112,805	(15,073,537)	—
Disposals / Write-off	—	—	(4,099)	(72,385)	—	(2,375)	—	(78,859)
Depreciation charge	—	—	(96,468)	(7,413,970)	(12,385)	(239,293)	—	(7,762,116)
Currency translation differences	—	—	—	(377,920)	—	(823)	(6,976)	(385,719)
End of the year	—	1,315,393	1,622,767	87,568,462	81,880	1,265,607	24,883,089	116,737,198
As at 31 December 2008								
Cost	—	1,315,393	2,276,367	141,065,871	206,956	2,749,454	24,883,089	172,497,130
Accumulated depreciation	—	—	(653,600)	(49,812,854)	(125,076)	(1,483,847)	—	(52,075,377)
Accumulated impairment loss	—	—	—	(3,684,555)	—	—	—	(3,684,555)
Net book value	—	1,315,393	1,622,767	87,568,462	81,880	1,265,607	24,883,089	116,737,198

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT, NET *(Cont'd)*

	The Company					
	Buildings	Electric utility plant in service	Transportation facilities	Others	Construction-in-progress	Total
As at 1 January 2007						
Cost	1,145,669	62,729,239	177,384	1,590,033	7,899,801	73,542,126
Accumulated depreciation	(418,844)	(28,256,959)	(106,840)	(930,095)	—	(29,712,738)
Accumulated impairment loss	—	(42,000)	—	—	—	(42,000)
Net book value	726,825	34,430,280	70,544	659,938	7,899,801	43,787,388
Year ended 31 December 2007						
Beginning of the year	726,825	34,430,280	70,544	659,938	7,899,801	43,787,388
Reclassification	5,321	4,083	(6,344)	(3,060)	—	—
Additions	6,368	28,525	—	71,121	11,441,270	11,547,284
Transfer from CIP	209,536	10,994,334	520	116,508	(11,320,898)	—
Disposals / Write-off	(3,648)	(91,074)	—	(3,731)	—	(98,453)
Depreciation charge	(58,498)	(4,293,097)	(10,158)	(146,704)	—	(4,508,457)
Impairment charge	—	(7,044)	—	—	—	(7,044)
End of the year	885,904	41,066,007	54,562	694,072	8,020,173	50,720,718
As at 31 December 2007						
Cost	1,364,117	73,140,337	155,289	1,782,175	8,020,173	84,462,091
Accumulated depreciation	(478,213)	(32,074,330)	(100,727)	(1,088,103)	—	(33,741,373)
Net book value	885,904	41,066,007	54,562	694,072	8,020,173	50,720,718
Year ended 31 December 2008						
Beginning of the year	885,904	41,066,007	54,562	694,072	8,020,173	50,720,718
Reclassification	1,876	(1,867)	—	(9)	—	—
Additions	8,273	18,965	—	61,410	16,326,488	16,415,136
Transfer from CIP	23,207	10,232,014	—	67,386	(10,322,607)	—
Disposals / Write-off	(4,099)	(58,106)	—	(1,891)	—	(64,096)
Depreciation charge	(56,417)	(4,304,760)	(8,226)	(153,093)	—	(4,522,496)
End of the year	858,744	46,952,253	46,336	667,875	14,024,054	62,549,262
As at 31 December 2008						
Cost	1,391,228	82,997,764	155,289	1,811,351	14,024,054	100,379,686
Accumulated depreciation	(532,484)	(36,045,511)	(108,953)	(1,143,476)	—	(37,830,424)
Net book value	858,744	46,952,253	46,336	667,875	14,024,054	62,549,262

Interest expense of approximately RMB998 million (2007: RMB614 million) arising on borrowings for the construction of power plants were capitalized during the year and are included in 'Additions' in property plant and equipment. A capitalization rate of approximately 6.21% (2007: 5.30%) per annum was used.

(Amounts expressed in thousands of RMB unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT, NET *(Cont'd)*

In 2008, no impairment was recognized based on assessments.

As at 31 December 2007, impairment losses of certain property, plant and equipment in Huaneng Shantou Power Plant amounting to RMB49.04 million was reversed upon the disposal of related property, plant and equipment.

12. INVESTMENTS IN ASSOCIATES

	The Company and its subsidiaries		The Company	
	2008	2007	2008	2007
Beginning of the year	8,731,490	5,418,213	7,204,362	4,321,310
Conversion of Sichuan Hydropower from subsidiary to associate (a)	—	1,544,206	—	1,229,052
Additional investments in Huaneng Finance	—	134,000	—	134,000
Acquisition of equity interest in Shenzhen Energy Investment Co., Ltd. ("SEI") (b)	200	1,520,000	200	1,520,000
Acquisition of 10% equity interest in Rizhao Power Company	134,554	—	134,554	—
Establishment of Yangquan Coal Industry Group Huaneng Coal-fired power Investment Co., Ltd. ("Yangmei Huaneng Company")	147,000	—	147,000	—
Share of other equity movement	3,096	7,255	—	—
Share of profit before income tax expense	187,518	768,318	—	—
Share of income tax expense	(114,830)	(181,995)	—	—
Dividends	(330,793)	(478,507)	—	—
End of the year	8,758,235	8,731,490	7,486,116	7,204,362

Investments in associates as at 31 December 2008 included goodwill of approximately RMB1,490 million (2007: RMB1,457 million).

12. INVESTMENTS IN ASSOCIATES *(Cont'd)*

Notes:

(a) In January 2007, Huaneng Group unilaterally injected capital into Sichuan Hydropower amounting to RMB615 million, which had therefore reduced the related equity interest holding of Sichuan Hydropower by the Company from 60% to 49%. From January 2007 onwards, Sichuan Hydropower became an associate of the Company and was accounted for using equity method in the consolidated financial statements instead of a full scope of consolidation.

(b) In 2006, Shenzhen Energy Group Co., Ltd. ("SEG") planned to restructure with its listed subsidiary – SEI. SEI issued new shares to SEG in acquiring most of the assets of SEG and SEG will be deregistered ultimately. In accordance with the resolutions of the board of directors and related signed agreement, the Company subscribed 200 million shares, and will take up a portion of shareholding of SEI from SEG upon the deregistration of the latter entity. The Company will directly hold 25.01% shareholding in SEI by then. As at 31 December 2007, the Company has paid RMB1.52 billion to subscribe 200 million shares, representing 9.08% shareholding of SEI. The Company considered the nature of the investment and classified this as an associate. The 200 million shares mentioned above are subject to a lock-up period of 3 years from the acquisition date. As there is no published price quotation for shares with such specific lock-up arrangement, there is no price information available for the disclosure purpose.

(Amounts expressed in thousands of RMB unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES *(Cont'd)*

As at 31 December 2008, the investments in associates of the Company and its subsidiaries, all of which are unlisted except for SEI which is listed in the Shenzhen Stock Exchange, were as follows:

Name of associate	Country of incorporation	Registered and fully paid capital	Business nature and scope of operation	Percentage of equity interest held	
				Direct	Indirect
Rizhao Power Company	PRC	RMB1,245,587,900	Power generation	44%	—
SEG	PRC	RMB955,555,556	Development, production and sale of regular energy, new energy and energy construction project, etc.	25%	—
SEI	PRC	RMB2,202,495,332	Energy and investment in related industries	9.08%	—
Hebei Hanfeng PowerGeneration Limited Liability Company	PRC	RMB1,975,000,000	Power generation	40%	—
Lime Company	PRC	RMB50,000,000	Lime production and sale	—	25%
Huaneng Finance	PRC	RMB2,000,000,000	Provision for financial service including fund deposit services, lending, finance lease arrangements, notes discounting and entrusted loans and investment arrangement within Huaneng Group	20%	—
Sichuan Hydropower	PRC	RMB800,000,000	Development, investment, construction, operation and management of hydropower	49%	—
Yangmei Huaneng Company	PRC	RMB1,000,000,000	Investment, development, consulting and management services of coal and power generation projects	49%	—

The gross amounts of operating results, assets and liabilities (excluding goodwill) of the associates of the Company and its subsidiaries were as follows:

	2008	2007
Assets	78,806,094	82,084,730
Liabilities	(51,201,920)	(53,434,823)
Operating revenue	7,937,524	17,339,522
Profit attributable to equity holders of associates	299,872	1,992,974

(Amounts expressed in thousands of RMB unless otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES

(a) Investments in subsidiaries

As at 31 December 2008, the investments in subsidiaries of the Company and its subsidiaries, all of which are unlisted, were as follows:

Name of subsidiary	Country of incorporation	Type of legal entity	Registered and fully paid capital	Business nature and scope of operations	Percentage of equity interest held	
					Direct	Indirect
Huaneng Weihai Power Limited Liability Company	PRC	Limited liability company	RMB761,838,300	Power generation	60%	—
Huaneng Huaiyin Power Generation Co. Ltd. ("Huaiyin Power Company")	PRC	Limited liability company	RMB265,000,000	Power generation	100%	—
Huaneng Huaiyin II Power Limited Company	PRC	Limited liability company	RMB774,000,000	Power generation	63.64%	—
Huaneng (Suzhou Industrial Park) Power Generation Co. Ltd.	PRC	Limited liability company	RMB632,840,000	Power generation	75%	—
Huaneng Taicang Power Co., Ltd.	PRC	Limited liability company	RMB804,146,700	Power generation	75%	—
Huaneng Qinbei Power Co., Ltd.	PRC	Limited liability company	RMB810,000,000	Power generation	60%	—
Huaneng Yushe Power Generation Co., Ltd.	PRC	Limited liability company	RMB615,760,000	Power generation	60%	—
Huaneng Xindian Power Co., Ltd.	PRC	Limited liability company	RMB100,000,000	Power generation	95%	—
Huaneng Hunan Yueyang Power Generation Limited Liability Company ("Yueyang Power Company")	PRC	Limited liability company	RMB1,055,000,000	Power generation	55%	—
Huaneng Chongqing Luohuang Power Generation Limited Liability Company	PRC	Limited liability company	RMB1,658,310,000	Power generation	60%	—

(Amounts expressed in thousands of RMB unless otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES *(Cont'd)*

(a) Investments in subsidiaries *(Cont'd)*

Name of subsidiary	Country of incorporation	Type of legal entity	Registered and fully paid capital	Business nature and scope of operations	Percentage of equity interest held	
					Direct	Indirect
Huaneng Shanghai Combined Cycle Power Limited Liability Company	PRC	Limited liability company	RMB699,700,000	Power generation	70%	—
Huaneng Pingliang Power Generation Co., Ltd. ("Pingliang Power Company")	PRC	Limited liability company	RMB924,050,000	Power generation	65%	—
Huaneng International Power Fuel Limited Liability Company	PRC	Limited liability company	RMB200,000,000	Wholesale of coal	100%	—
Huaneng Nanjing Jinling Power Co., Ltd. ("Nanjing Jinling Power Company")	PRC	Limited liability company	RMB1,302,000,000	Power generation	60%	—
Huaneng Shanghai Shidongkou Power Generation Limited Liability Company (i)	PRC	Limited liability company	RMB990,000,000	Power generation	50%	—
Huade County Daditaihong Wind Power Utilization Limited Liability Company	PRC	Limited liability company	RMB5,000,000	Wind power development and utilization	99%	—
Huaneng Nantong Power Generation Limited Liability Company	PRC	Limited liability company	RMB1,560,000,000	Power generation	70%	—
Yingkou Port (i)	PRC	Limited liability company	RMB720,235,000	Loading and conveying service	50%	—
SinoSing Power	Singapore	Limited liability company	US$985,000,100	Investment holding	100%	—
Tuas Power	Singapore	Limited liability company	S$1,178,050,000	Power generation and related products, derivatives; developing power supply resources and operating electricity	—	100%

(Amounts expressed in thousands of RMB unless otherwise stated)

13. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES *(Cont'd)*

(a) Investments in subsidiaries *(Cont'd)*

Name of subsidiary	Country of incorporation	Type of legal entity	Registered and fully paid capital	Business nature and scope of operations	Percentage of Percentage of equity interest held	
					Direct	Indirect
Tuas Power Supply Pte Ltd.	Singapore	Limited liability company	S$500,000	Power sales	—	100%
Tuas Power Utilities Pte Ltd.	Singapore	Limited liability company	S$2	Provision of utility services	—	100%
TPGS Green Energy Pte Ltd.	Singapore	Limited liability company	S$1,000,000	Provision of utility services	—	75%
New Earth Pte Ltd.	Singapore	Limited liability company	S$10,111,841	Consultancy in waste recycling	—	60%
New Earth Singapore Pte Ltd.	Singapore	Limited liability company	S$12,516,050	Industrial waste management and recycling	—	75%

Note:

(i) Pursuant to agreements with other shareholders, the Company has controls over these entities.

In 2008, impairment loss of RMB209 million was recorded for the investment in Huaiyin Power Company at Company level. Please refer to Note 17 for the detailed information of impairment assessment.

(b) Loans to subsidiaries

As at 31 December 2008, the unsecured short-term loans to subsidiaries amounted to approximately RMB2.44 billion (2007: Nil) with annual interest rates ranging from 5.58% to 7.47% (2007: N/A). Since all interest rates were the same as the interest rates of 1-year loans offered by the banks, the carrying value of the loans to subsidiaries approximated their fair value.

(Amounts expressed in thousands of RMB unless otherwise stated)

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent the 1.82% (2007: 1.82%) equity interest in China Yangtze Power Co., Ltd. ("Yangtze Power") and the 10% (2007: 10%) equity interest in Shanxi Xishan Jinxing Energy Co., Ltd. ("Jinxing Energy"). Yangtze Power is a listed company and Jinxing Energy is unlisted, both are incorporated in the PRC. As at 31 December 2008, the Company held approximately 171.71 million (2007: 171.71 million) shares of Yangtze Power. Yangtze Power has suspended trading as a result of major assets reorganization since 8 May 2008. Fair value per share of Yangtze Power as at 31 December 2008 deriving from fair value of similar financial assets amounted to RMB7.35 (2007: RMB19.49 from quoted market price).

	2008	2007
Beginning of the year	3,462,158	1,458,759
Investment in Jinxing Energy	146,375	115,599
Additions due to exercise of stock warrants	—	891,058
Disposals	—	(603,411)
Revaluation (loss) / gains	(2,084,517)	1,600,153
End of the year	1,524,016	3,462,158

There were no impairment provisions on available-for-sale financial assets in 2008 and 2007.

15. LAND USE RIGHTS

Details of land use rights are as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	2,868,599	2,242,026	1,451,106	1,351,114
Leases of over 50 years	26,760	27,182	18,104	18,380
	2,895,359	2,269,208	1,469,210	1,369,494

(Amounts expressed in thousands of RMB unless otherwise stated)

16. POWER GENERATION LICENCE

The movements in the carrying amount of power generation licence during the years are as follows:

	The Company and its subsidiaries
As at 1 January 2008	
Cost	—
Movement in 2008:	
Opening net book value	—
Acquisitions (Note 40)	4,073,278
Currency translation differences	(261,372)
Closing net book value	3,811,906
As at 31 December 2008	
Cost	3,811,906

Impairment test of power generation licence

Power generation licence belongs to the single CGU-Tuas Power. The recoverable amount of the CGU is determined based on value-in-use calculation. These calculations use pre-tax cash flow projections based on management's financial budget over a six-year period as Tuas Power expects to complete a repowering project by mid-2013 and a steady cashflows will be achieved in 2014. A growth rate of 4% is assumed in the forecast model beyond the six-year period, which does not exceed the long-term growth rate of Singapore power demand. Pre-tax discount rates used for value-in-use calculation are between 7.6% and 8.1%.

Key assumptions used for value-in-use calculation:

Key assumptions applied in the impairment test include the expected revenue, electricity demand in Singapore, gas price, purchase costs of electricity and staff cost. Management determined these key assumptions based on past performance and its expectations on market development. The discount rates used are pre-tax and reflect specific risks relating to the CGU. Management believes that any reasonably possible change in any of these key assumptions on which recoverable amount of the CGU is based may cause carrying amount of the CGU to exceed its recoverable amount.

Based on the assessments, no impairment was provided for power generation licence.

(Amounts expressed in thousands of RMB unless otherwise stated)

17. GOODWILL

The movements in the carrying amount of goodwill during the years are as follows:

	The Company and its subsidiaries	The Company
As at 31 December 2006		
Cost	671,796	108,938
Movement in 2007:		
Opening net book value	671,796	108,938
Acquisitions	13,703	—
Deemed disposal (Note 12(a))	(24,287)	—
Transfer to investments in associates(Note 12(a))	(105,946)	—
Closing net book value	555,266	108,938
As at 31 December 2007		
Cost	555,266	108,938
Movement in 2008:		
Opening net book value	555,266	108,938
Acquisitions	11,408,202	—
Impairment charge	(130,224)	—
Currency translation differences	(725,148)	—
Closing net book value	11,108,096	108,938
As at 31 December 2008		
Cost	11,238,320	108,938
Accumulated impairment	(130,224)	—
Net book value	11,108,096	108,938

Impairment tests for goodwill

Goodwill is allocated to the CGUs of the Company and its subsidiaries identified according to their operations in different regions.

(Amounts expressed in thousands of RMB unless otherwise stated)

17. GOODWILL *(Cont'd)*

Impairment tests for goodwill *(Cont'd)*

The carrying amounts of significant goodwill allocated to individual CGUs are as follows:

	2008	2007
Huaiyin Power Company	—	118,596
Yueyang Power Company	100,907	100,907
Pingliang Power Company	107,735	107,735
Tuas Power	10,663,879	N/A

The recoverable amount of a CGU is determined based on value-in-use calculations. For domestic CGUs, these calculations use pre-tax cash flow projections based on management's financial budgets covering a five-year period. The Company expects cash flows beyond the five-year period will be similar to that of the fifth year based on existing production capacity. In connection to the goodwill arising from acquisition of Tuas Power, management uses pre-tax cash flow projections based on their financial budget covering a six-year period as Tuas Power expects to complete a repowering project by mid-2013 and a steady cashflows will be achieved in 2014. A growth rate of 4% is assumed in the forecast model beyond the six-year period, which does not exceed long-term growth rate of Singapore power demand.

Pre-tax discount rates used for value-in-use calculations:

Huaiyin Power Company	9.9%
Yueyang Power Company	9.1%
Pingliang Power Company	9.5%
Tuas Power	7.6%-8.1%

Key assumptions used for value-in-use calculations:

Key assumptions applied in the impairment tests include the expected tariff rates, demands of electricity in specific regions where these power plants are located and fuel cost. Management determined these key assumptions based on past performance and its expectations on market development. The discount rates used are pre-tax and reflect specific risks relating to individual CGUs. Management believes that any reasonably possible change in any of these key assumptions on which recoverable amounts of individual CGUs are based may cause carrying amounts of individual CGUs to exceed their recoverable amounts.

Based on the assessments, except for the goodwill arising from acquisition of Huaiyin Power Company, no goodwill was impaired. The management expects to shut down generators of Huaiyin Power Company in the future, full impairment of related goodwill was provided based on the result of impairment test.

(Amounts expressed in thousands of RMB unless otherwise stated)

18. OTHER NON-CURRENT ASSETS

Details of other non-current assets are as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Software	68,131	66,770	27,356	21,075
Deferred housing loss	54,963	91,714	18,118	37,464
Prepayments for switchhouse and metering station	17,746	—	—	—
Prepaid connection fees	144,932	60,298	—	—
Prepaid territorial waters use right	149,097	151,650	148,601	151,650
Prepayments for equipments	155,732	—	—	—
Finance lease receivable	97,776	—	—	—
Others	59,695	18,943	7,509	4,846
Total	748,072	389,375	201,584	215,035

Other non-current assets include the prepayments for equipments to other related parties of the Company and subsidiaries amounted to approximately RMB156 million (2007: Nil).

(Amounts expressed in thousands of RMB unless otherwise stated)

19. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments are as follows:

	The Company and its subsidiaries As at 31 December 2008
Derivative financial assets	
– Hedging instruments for cash flow hedge (fuel swap contracts)	(17,008)
– Hedging instruments for cash flow hedge (exchange forwards contracts)	1,767
– Financial instruments at fair value through profit or loss (fuel swap contracts)	30,720
Total	15,479
Derivative financial liabilities	
– Hedging instruments for cash flow hedge (fuel swap contracts)	540,519
– Hedging instruments for cash flow hedge (exchange forward contracts)	12,379
– Financial instruments at fair value through profit or loss (fuel swap contracts)	6,786
Total	559,684

For the year ended 31 December 2008, no ineffective portion was recognized in the profit or loss arising from cash flow hedges.

An oversea subsidiary of the Company uses forward exchange contracts to hedge its foreign exchange risk arising from highly probable forecast purchase transactions. The subsidiary also uses fuel swap contracts to hedge its fuel price risk arising from highly probable forecast purchases of fuel purchases.

As at 31 December 2008, the amount and maturities of forward exchange contracts and fuel swap contracts are analyzed as follows:

	2009	2010	2011	Total
Forward exchange contracts				
Amount of contracts (S$'000)	470,009	14,024	748	484,781
Fuel swap contracts				
Amount of contracts (US$'000)	210,599	7,654	198	218,451

(Amounts expressed in thousands of RMB unless otherwise stated)

20. INVENTORIES, NET

Inventories comprised:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Fuel (coal and oil) for power generation	3,986,445	1,324,226	2,159,728	858,422
Material and supplies	1,328,951	1,025,211	679,373	625,825
	5,315,396	2,349,437	2,839,101	1,484,247
Less: provision for inventory obsolescence	(145,549)	(30,147)	(8,071)	(7,783)
	5,169,847	2,319,290	2,831,030	1,476,464

Movements of provision for inventory obsolescence during the years are analyzed as follows:

	The Company and its subsidiaries		The Company	
	2008	2007	2008	2007
Beginning of the year	(30,147)	(46,540)	(7,783)	(22,485)
Acquisition	(119,630)	—	—	—
Provision	(4,326)	(666)	(660)	(482)
Write-offs	354	9,778	354	9,759
Reversal	425	7,281	18	5,425
Currency translation differences	7,775	—	—	—
End of the year	(145,549)	(30,147)	(8,071)	(7,783)

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21. OTHER RECEIVABLES AND ASSETS, NET

Other receivables and assets comprised the following:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Prepayments for inventories	307,494	429,189	523,422	267,907
Prepayments for constructions	275,085	30,641	195,111	22,093
Other prepayments	238,869	114,257	36,561	98,849
Total prepayments	821,448	574,087	755,094	388,849
Receivable from Jiangsu Power Grid Company for the construction of transmission facilities	143	53,353	—	—
Staff advances	11,421	8,756	5,741	4,618
Dividend receivables	—	—	58,601	—
Others	293,000	216,958	321,829	304,756
Subtotal other receivables	304,564	279,067	386,171	309,374
Less: provision for doubtful accounts	(26,292)	(30,463)	(17,867)	(22,033)
Total other receivables, net	278,272	248,604	368,304	287,341
Gross total	1,126,012	853,154	1,141,265	698,223
Net total	1,099,720	822,691	1,123,398	676,190

Other receivables and assets comprised the following balances due from the related parties:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Prepaid to Huaneng Group	160,000	—	—	—
Due from subsidiaries-other receivables	—	—	587,837	168,160
Prepaid to other related parties	28,967	560	13,242	400
Total	188,967	560	601,079	168,560

(Amounts expressed in thousands of RMB unless otherwise stated)

21. OTHER RECEIVABLES AND ASSETS, NET *(Cont'd)*

The gross amounts of other receivables and assets of the Company and its subsidiaries are denominated in the following currencies:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
RMB	1,104,056	853,154	1,141,265	698,223
S$ (RMB equivalent)	9,556	—	—	—
US$ (RMB equivalent)	287	—	—	—
JPY (RMB equivalent)	12,028	—	—	—
AUD(RMB equivalent)	85	—	—	—
Total	1,126,012	853,154	1,141,265	698,223

Other receivables and assets do not contain significant impaired assets. Movements of provision for doubtful accounts during the years are analyzed as follows:

	The Company and its subsidiaries		The Company	
	2008	2007	2008	2007
Beginning of the year	(30,463)	(33,223)	(22,033)	(22,797)
Provision	—	(33)	—	(33)
Reversal	1,719	1,499	1,714	797
Deemed disposal of a subsidiary	—	93	—	—
Write-off	2,452	1,201	2,452	—
End of the year	(26,292)	(30,463)	(17,867)	(22,033)

(Amounts expressed in thousands of RMB unless otherwise stated)

21. OTHER RECEIVABLES AND ASSETS, NET *(Cont'd)*

As at 31 December 2008, there was no indication of impairment relating to other receivables which were not past due and no provision was made. Other receivables of RMB68 million (2007: RMB51 million) were past due but not impaired. These receivables were contracts bounded with repayment terms on demand. The ageing analysis of these other receivables was as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Between 1 to 2 years	14,057	11,869	894	9,094
Between 2 to 3 years	13,428	4,318	8,570	4,222
Over 3 years	40,371	35,246	22,499	18,309
	67,856	51,433	31,963	31,625

As at 31 December 2008, other receivables of RMB30 million (2007: RMB35 million) were impaired. The individually impaired receivables have been long outstanding without any repayment agreements in place or possibility of renegotiation. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these other receivables was as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Between 1 to 2 years	—	4,783	—	3,023
Between 2 to 3 years	3,023	—	3,023	—
Over 3 years	26,570	30,617	18,145	22,612
	29,593	35,400	21,168	25,635

(Amounts expressed in thousands of RMB unless otherwise stated)

22. ACCOUNTS RECEIVABLE, NET

Accounts receivable comprised the following:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Accounts receivable	7,153,834	6,251,958	3,873,554	3,688,275
Notes receivable	666,255	1,674,933	114,000	409,531
	7,820,089	7,926,891	3,987,554	4,097,806
Less: provision for doubtful accounts	(25,589)	(50,573)	—	—
	7,794,500	7,876,318	3,987,554	4,097,806

The gross amounts of account receivables of the Company and its subsidiaries are denominated in the following currencies:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
RMB	6,803,558	7,926,891	3,987,554	4,097,806
S$ (RMB equivalent)	1,014,725	—	—	—
US$ (RMB equivalent)	1,806	—	—	—
Total	7,820,089	7,926,891	3,987,554	4,097,806

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, except for SinoSing Power which credit period ranged from 5 to 60 days from the dates of billing. As at 31 December 2008, accounts receivable (within one month and no provision) of the Company and its subsidiaries amounted to approximately RMB505 million (2007: Nil) was secured to a bank as collateral against a short-term loan of RMB500 million (Note 32).

(Amounts expressed in thousands of RMB unless otherwise stated)

22. ACCOUNTS RECEIVABLE, NET *(Cont'd)*

Movements of provision for doubtful accounts during the years are analyzed as follows:

	The Company and its subsidiaries		The Company	
	2008	2007	2008	2007
Beginning of the year	(50,573)	(50,573)	—	—
Provision	(26,296)	—	—	—
Reversal	13,626	—	—	—
Write-off	36,947	—	—	—
Currency translation differences	707	—	—	—
End of the year	(25,589)	(50,573)	—	—

Ageing analysis of accounts receivable was as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Within 1 year	7,819,926	7,737,783	3,987,554	4,092,147
Between 1 to 2 years	—	3,959	—	3,014
Between 2 to 3 years	12	100	—	—
Over 3 years	151	185,049	—	2,645
	7,820,089	7,926,891	3,987,554	4,097,806

As at 31 December 2008, the maturity period of the notes receivable ranged from 4 to 7 months (2007: 15 days to 28 months).

(Amounts expressed in thousands of RMB unless otherwise stated)

22. ACCOUNTS RECEIVABLE, NET *(Cont'd)*

As at 31 December 2008, accounts receivable of RMB26 million (2007: RMB51 million) were impaired, because of the bankruptcy of the clients. The amount of the provision was RMB26 million as at 31 December 2008 (2007: RMB51 million). The ageing of these accounts receivable was as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Between 1 to 2 years	25,589	—	—	—
Between 2 to 3 years	—	—	—	—
Over 3 years	—	50,573	—	—
	25,589	50,573	—	—

As at 31 December 2008, there was no indication of impairment relating to accounts receivable which were not past due and no provision was made. Accounts receivable of RMB20 million (2007: RMB202 million) were past due but not impaired. These mainly related to overdue notes receivable which will be collected when related supporting documents are provided. The ageing analysis of these accounts receivable was as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
2 months to 1 year	19,423	63,226	—	1,452
Between 1 to 2 years	—	3,959	—	3,014
Between 2 to 3 years	12	100	—	—
Over 3 years	151	134,476	—	2,645
	19,586	201,761	—	7,111

(Amounts expressed in thousands of RMB unless otherwise stated)

23. SHARE CAPITAL

	As at 31 December 2008	As at 31 December 2007
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
Total	12,055,383	12,055,383

As at 31 December 2008, the authorized share capital of the Company was RMB12,055,383,440 (2007: RMB12,055,383,440), divided into 12,055,383,440 (2007: 12,055,383,440) shares of RMB1.00 (2007: RMB1.00) each.

All shares issued by the Company were fully paid. The holders of domestic shares and overseas listed foreign shares, with minor exceptions, are entitled to the same economic and voting rights.

24. SURPLUS RESERVES

According to the Company Law of the PRC, the Company's articles of association and board resolutions, the Company appropriates 10% of each year's net profit to the statutory surplus reserve until such a reserve reaches 50% of the registered share capital when the Company can opt out. Upon the approval from relevant authorities, this reserve can be used to make up any losses incurred or to increase share capital. Except for offsetting against losses, this reserve cannot fall below 25% of the share capital after being used to increase share capital. For the year ended 31 December 2008, the Company does not appropriate any statutory surplus reserve as a result of current year losses (2007: 10% of net profit).

Appropriation of discretionary surplus reserve is proposed by the Board of Directors, and approved by the general meeting of shareholders. This reserve can be used to make up any losses incurred in prior years or to increase the share capital after obtaining relevant approvals. For the year ended 31 December 2008, no provision was made to the discretionary surplus reserve (2007: Nil).

According to the articles of association, distributable profit of the Company is derived based on the lower of profit determined in accordance with (a) the PRC accounting standards and (b) IFRS. There was no additional distributable profit resulting from the current year operation for the year ended 31 December 2008 (2007: RMB5.40 billion). The cumulative balance of distributable profit as at 31 December 2008 was approximately RMB9.914 billion (2007: RMB17.22 billion).

25. DIVIDENDS

On 31 March 2009, the Board of Directors proposed a cash dividend of RMB0.1 per share, totaling approximately RMB1,205.5 million. This proposal is subject to the approval of the shareholders at the annual general meeting. These financial statements do not reflect this dividends payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings for the year ending 31 December 2009.

On 13 May 2008, upon the approval from the annual general meeting of the shareholders, the Company declared 2007 final dividend of RMB0.30 (2006 final: RMB0.28) per ordinary share, totaled approximately RMB3,606 million (2006: RMB3,376 million).

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26. LONG-TERM LOANS

	The Company and its subsidiaries					
	As at 31 December 2008			As at 31 December 2007		
	Original currency '000	Annual interest rate	Amount	Original currency '000	Annual interest rate	Amount
Loans from Huaneng Group						
Unsecured						
RMB						
– Fixed rate	2,800,000	4.32% - 5.67%	2,800,000	2,800,000	4.32% - 5.67%	2,800,000
Bank loans						
Unsecured						
RMB						
– Fixed rate	50,112,930	3.60%-7.74%	50,112,930	30,684,366	3.60%-7.05%	30,684,366
US$						
– Fixed rate	321,710	5.95%-6.97%	2,198,760	417,630	5.95%-6.97%	3,050,616
– Variable rate	1,312,055	2.61%-5.15%	8,967,373	47,455	5.15%-5.51%	346,639
S$						
– Variable rate	145,745	2.41%-2.74%	692,727	—	—	—
€						
– Fixed rate	55,624	2%	537,275	60,946	2%	650,108
			62,509,065			34,731,729
Other loans						
Unsecured						
RMB						
– Fixed rate	130,000	5.10%	130,000	—	—	—
US$						
– Variable rate	7,143	3.24%-5.87%	48,818	10,000	5.80%-5.87%	73,046
S$						
– Variable rate	8,350	4.25%	39,688	—	—	—
JPY						
– Variable rate	595,238	1.31%-5.80%	45,030	833,333	5.80%	53,387
			263,536			126,433

As at 31 December 2008, the balance of other long-term loans that drawn from Huaneng Finance amounted to approximately RMB130 million with annual interest rate of 5.10% (2007: Nil).

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	The Company					
	As at 31 December 2008			As at 31 December 2007		
	Original currency '000	Annual interest rate	Amount	Original currency '000	Annual interest rate	Amount
Loans from Huaneng Group						
Unsecured						
RMB						
– Fixed rate	2,000,000	5.02%	2,000,000	2,000,000	5.02%	2,000,000
Bank loans						
Unsecured						
RMB						
– Fixed rate	24,901,250	3.60%-7.05%	24,901,250	12,250,026	3.60%-7.05%	12,250,026
US$						
– Fixed rate	247,878	5.95%-6.60%	1,694,146	318,445	5.95%-6.60%	2,326,115
– Variable rate	821,631	2.61%-5.15%	5,615,520	47,455	5.15%-5.51%	346,639
			32,210,916			14,922,780

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

The maturity of long-term loans is as follows:

	The Company and its subsidiaries					
	Loans from Huaneng Group		Bank loans		Other loans	
	As at 31 December		As at 31 December		As at 31 December	
	2008	2007	2008	2007	2008	2007
1 year or less	—	—	6,507,881	4,183,391	37,539	36,124
More than 1 year but not more than 2 years	—	—	14,728,355	9,661,391	37,539	36,124
More than 2 years but not more than 3 years	—	—	9,549,310	8,654,175	148,770	36,124
More than 3 years but not more than 4 years	—	—	4,555,384	3,707,389	—	18,061
More than 4 years but not more than 5 years	800,000	—	8,046,147	2,597,389	—	—
More than 5 years	2,000,000	2,800,000	19,121,988	5,927,994	39,688	—
	2,800,000	2,800,000	62,509,065	34,731,729	263,536	126,433
Less: amount due within 1 year included under current liabilities	—	—	(6,507,881)	(4,183,391)	(37,539)	(36,124)
	2,800,000	2,800,000	56,001,184	30,548,338	225,997	90,309

	The Company			
	Loans from Huaneng Group		Bank loans	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
1 year or less	—	—	2,498,544	1,026,685
More than 1 year but not more than 2 years	—	—	12,173,794	4,358,685
More than 2 years but not more than 3 years	—	—	3,863,897	6,589,711
More than 3 years but not more than 4 years	—	—	2,569,818	561,685
More than 4 years but not more than 5 years	—	—	667,000	1,175,319
More than 5 years	2,000,000	2,000,000	10,437,863	1,210,695
	2,000,000	2,000,000	32,210,916	14,922,780
Less: Amount due within 1 year included under current liabilities	—	—	(2,498,544)	(1,026,685)
	2,000,000	2,000,000	29,712,372	13,896,095

(Amounts expressed in thousands of RMB unless otherwise stated)

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

The analysis of the above is as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Loans from Huaneng Group				
– Wholly repayable within five years	800,000	—	—	—
– Not wholly repayable within five years	2,000,000	2,800,000	2,000,000	2,000,000
	2,800,000	2,800,000	2,000,000	2,000,000
Bank loans				
– Wholly repayable within five years	36,866,955	24,081,310	19,674,761	13,291,809
– Not wholly repayable within five years	25,642,110	10,650,419	12,536,155	1,630,971
	62,509,065	34,731,729	32,210,916	14,922,780
Other loans				
– Wholly repayable within five years	223,848	126,433	—	—
– Not wholly repayable within five years	39,688	—	—	—
	263,536	126,433	—	—

The interest payment schedule of long-term loans in the future years are summarized as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
1 year or less	4,475,483	2,267,851	2,236,568	987,696
More than 1 year but not more than 2 years	2,806,836	1,816,247	1,295,275	845,697
More than 2 years but not more than 5 years	5,291,741	2,622,125	2,279,600	939,469
More than 5 years	4,973,166	1,331,666	2,907,807	420,508
Total	17,547,226	8,037,889	8,719,250	3,193,370

27. LONG-TERM BONDS

The Company issued bonds with maturity of 5 years, 7 years and 10 years in December 2007 with face values of RMB1 billion, RMB1.7 billion and RMB3.3 billion bearing annual interest rates of 5.67%, 5.75% and 5.90%, respectively. The actual proceeds received by the Company was approximately RMB5.885 billion. These bonds are denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the bonds fall due. The annual effective interest rates of those bonds are 6.13%, 6.10% and 6.17%, respectively. Interest paid per annum during the tenure of the bonds are RMB57 million, RMB98 million and RMB195 million. As at 31 December 2008, interest payables for these bonds above amounted to approximately RMB6.79 million (2007: RMB6.79 million).

The Company issued bonds with maturity of 10 years in May 2008 with face value of RMB4 billion bearing annual interest rate of 5.20%. The actual proceeds received by the Company was approximately RMB3.933 billion. These bonds are denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the bonds fall due. The annual effective interest rate of bond is 5.42%. Interest paid per annum during the tenure of the bonds are RMB208 million. As at 31 December 2008, interest payable for these bonds above amounted to approximately RMB134.19 million (2007: Nil).

Please refer to 7(c) for details of long-term bonds of the Company guaranteed by HIPDC and state-owned banks.

28. OTHER NON-CURRENT LIABILITIES

Included in balances of other non-current liabilities are government grants of the Company and its subsidiaries amounted to RMB621 million (2007: RMB423 million). The related balances at Company level were RMB491 million (2007: RMB308 million). Such grants represented primarily subsidies for the construction of desulphurization equipment and other environmental protection projects.

In 2008, the government grants which were credited to the income statement amounted to RMB22.05 million (2007: RMB14.57 million).

(Amounts expressed in thousands of RMB unless otherwise stated)

29. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities comprised:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Accounts and notes payable	3,009,966	2,349,771	1,826,695	1,518,575
Amounts received in advance	877,287	844,445	834,468	844,445
Payables to contractors for construction	4,225,236	4,540,492	2,748,653	2,863,187
Other payables to contractors	444,927	339,518	322,614	218,937
Advances from Yingkou Port Bureau	720,235	—	—	—
Accrued interest	469,823	201,492	286,275	132,642
Tender and performance deposits	79,574	34,743	62,372	23,863
Accrued pollutants discharge fees	64,367	66,664	48,530	37,878
Accrued water-resources fees	48,253	16,608	43,085	7,949
Accrued service fee of intermediaries	45,355	—	45,355	—
Others	882,457	847,336	491,128	439,505
	10,867,480	9,241,069	6,709,175	6,086,981

Accounts payable and other liabilities comprised the following balances due to the related parties:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Due to Huaneng Group	2,505	3,084	—	—
Due to HIPDC	101,608	80,140	101,346	79,745
Due to subsidiaries	—	—	588,668	795
Due to associates	21,084	12,967	11,978	2,606
Due to other related parties	132,862	303,122	75,174	196,750
Total	258,059	399,313	777,166	279,896

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

29. ACCOUNTS PAYABLE AND OTHER LIABILITIES *(Cont'd)*

The carrying amounts of accounts payable and other liabilities of the Company and its subsidiaries are denominated in the following currencies:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
RMB	9,655,505	9,241,069	6,709,175	6,086,981
S$ (RMB equivalent)	437,590	—	—	—
US$ (RMB equivalent)	651,487	—	—	—
JPY (RMB equivalent)	122,764	—	—	—
GBP (RMB equivalent)	134	—	—	—
Total	10,867,480	9,241,069	6,709,175	6,086,981

The ageing analysis of accounts and notes payable was as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Accounts and notes payable				
Within 1 year	2,967,346	2,276,034	1,824,539	1,511,973
Between 1 to 2 years	29,558	71,515	1,809	5,600
Over 2 years	13,062	2,222	347	1,002
Total	3,009,966	2,349,771	1,826,695	1,518,575

For The Year Ended 31 December 2008
(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

30. PREPAID TAXES AND TAXES PAYABLE

Prepaid taxes and taxes payable comprise:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Prepaid taxes:				
– Prepaid income tax	172,758	—	144,809	—
Taxes payable:				
– VAT payable	(280,922)	(631,046)	(127,053)	(387,215)
– Income tax payable	(21,357)	(211,418)	—	(151,733)
– Others	(118,185)	(112,870)	(53,719)	(49,837)
	(420,464)	(955,334)	(180,772)	(588,785)

(Amounts expressed in thousands of RMB unless otherwise stated)

31. SHORT-TERM BONDS

The Company issued unsecured short-term bonds amounting to RMB5 billion bearing annual interest rate of 4.83% on 25 July 2008. Such bonds are denominated in RMB and issued at face value and will mature in 365 days from the issuance date. The annual effective interest rate of this bond is 5.25%. As at 31 December 2008, interest payable on these bonds amounted to approximately RMB107.33 million.

The Company issued unsecured short-term bonds amounting to RMB5 billion bearing annual interest rate of 3.84% on 9 August 2007. Such bonds are denominated in RMB and issued at face value and will mature in 364 days from the issuance date. The annual effective interest rate of this bond is 4.26%. As at 31 December 2008, the above short-term bonds were fully repaid on schedule.

32. SHORT-TERM LOANS

Short-term loans are as follows:

	The Company and its subsidiaries					
	As at 31 December 2008			As at 31 December 2007		
	Original currency '000	Annual interest rate	Amount	Original currency '000	Annual interest rate	Amount
Secured						
RMB						
– Fixed rate	500,000	4.54%	500,000	—	—	—
– Fixed rate-discounted notes receivable	884,957	2.28%-7.92%	884,957	302,700	3.00%-10.20%	302,700
S$						
– Variable rate	2,246,482	1.84%-2.25%	10,677,531	—	—	—
			12,062,488			302,700
Unsecured						
RMB						
– Fixed rate	16,683,000	4.54%-7.47%	16,683,000	11,367,700	4.35%-6.72%	11,367,700
			28,745,488			11,670,400

As at 31 December 2008, secured short-term loans of RMB885 million (2007: RMB303 million) represented the discounted notes receivable with recourse. As these notes receivable were yet to mature, the proceeds received were recorded as short-term loans.

As at 31 December 2008, secured short-term loan of RMB10,678 million (2007: Nil) is secured by the shares of a subsidiary of the SinoSing Power while secured short-term loans of RMB500 million (2007: Nil) is secured by accounts receivable of the Company with net book value amounting to RMB505 million (2007: Nil) (Note 22).

(Amounts expressed in thousands of RMB unless otherwise stated)

32. SHORT-TERM LOANS *(Cont'd)*

As at 31 December 2008, short-term loans of RMB1,290 million from Huaneng Finance are of annual interest rates ranging from 4.78% to 7.47% (2007: RMB2,292 million with interest rates ranging from 4.20% to 6.56%).

	The Company					
	As at 31 December 2008			As at 31 December 2007		
	Original currency '000	Annual interest rate	Amount	Original currency '000	Annual interest rate	Amount
Bank Loan						
Secured						
RMB						
– Fixed rate	500,000	4.54%	500,000	—	—	—
Unsecured						
RMB						
– Fixed rate	9,138,000	4.68%-7.47%	9,138,000	4,240,000	4.78%-6.72%	4,240,000
			9,638,000			4,240,000

33. DEFERRED INCOME TAX

Periods which deferred income tax assets and liabilities are expected to recover and realize are as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Deferred income tax assets:				
– Deferred income tax assets to be recovered after more than 12 months	441,273	209,667	217,121	170,376
– Deferred income tax assets to be recovered within 12 months	329,633	87,635	14,178	50,534
	770,906	297,302	231,299	220,910
Deferred income tax liabilities:				
– Deferred income tax liabilities to be realized after more than 12 months	(1,749,712)	(1,095,613)	(249,246)	(791,755)
– Deferred income tax liabilities to be realized within 12 months	(76,067)	(82,580)	(52,936)	(49,145)
	(1,825,779)	(1,178,193)	(302,182)	(840,900)
	(1,054,873)	(880,891)	(70,883)	(619,990)

(Amounts expressed in thousands of RMB unless otherwise stated)

33. DEFERRED INCOME TAX *(Cont'd)*

The offset amounts of deferred income tax assets and liabilities are as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Deferred income tax assets	316,699	211,654	—	182,543
Deferred income tax liabilities	(1,371,572)	(1,092,545)	(70,883)	(802,533)
	(1,054,873)	(880,891)	(70,883)	(619,990)

The gross movement on the deferred income tax accounts is as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Beginning of the year	(880,891)	(980,468)	(619,990)	(321,302)
Deemed disposal of Sichuan Hydropower	—	314,309	—	—
Acquisitions (Note 40)	(1,162,824)	(5,614)	—	—
Credited to the income statement (Note 35)	288,288	195,300	27,978	105,730
Charged directly to equity	626,222	(404,418)	521,129	(404,418)
Currency translation differences	74,332	—	—	—
End of the year	(1,054,873)	(880,891)	(70,883)	(619,990)

(Amounts expressed in thousands of RMB unless otherwise stated)

33. DEFERRED INCOME TAX *(Cont'd)*

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, are as follows:

Deferred income tax assets:

	The Company and its subsidiaries								
	Hedging reserve	Amortization of land use rights	Provision for impairment losses	Depreciation	Accrued expenses	Tax refund on purchase of domestically manufactured equipment	Deductible tax losses	Others	Total
As at 1 January 2007	—	10,370	78,679	33,164	6,449	—	—	84,575	213,237
Deemed disposal of Sichuan Hydropower	—	—	(6,483)	(6,979)	(1,301)	—	—	(2,008)	(16,771)
Acquisition	—	—	—	—	1,440	—	—	—	1,440
Credited / (Charged) to the income statement	—	6,311	(26,666)	10,985	1,609	126,742	10,913	(30,498)	99,396
As at 31 December 2007	—	16,681	45,530	37,170	8,197	126,742	10,913	52,069	297,302
Acquisition (Note 40)	(15,399)	—	—	569	—	—	—	22,599	7,769
Credited / (Charged) to the income statement	2,944	(265)	(11,609)	2,162	5,045	(15,483)	325,872	44,105	352,771
Credited to the equity	116,956	—	—	—	—	—	—	—	116,956
Currency translation differences	(2,236)	—	—	(118)	—	—	—	(1,538)	(3,892)
As at 31 December 2008	102,265	16,416	33,921	39,783	13,242	111,259	336,785	117,235	770,906

(Amounts expressed in thousands of RMB unless otherwise stated)

33. DEFERRED INCOME TAX *(Cont'd)*

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, are as follows *(Cont'd):*

Deferred income tax assets *(Cont'd)*:

	The Company							
	Amortization of land use rights	Depreciation	Provision for impairment losses	Accrued expenses	Tax refund on purchase of domestically manufactured equipment	Deductible tax loss	Others	Total
As at 1 January 2007	10,370	18,215	13,507	4,153	—	—	25,594	71,839
Credited / (Charged) to the income statement	6,311	11,810	247	1,747	126,742	10,913	(8,699)	149,071
As at 31 December 2007	16,681	30,025	13,754	5,900	126,742	10,913	16,895	220,910
(Charged) / Credited to the income statement	(265)	(622)	(7,941)	4,679	(15,483)	(10,913)	40,934	10,389
As at 31 December 2008	16,416	29,403	5,813	10,579	111,259	—	57,829	231,299

(Amounts expressed in thousands of RMB unless otherwise stated)

33. DEFERRED INCOME TAX *(Cont'd)*

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, are as follows *(Cont'd):*

Deferred income tax liabilities:

	The Company and its subsidiaries						
	Fair value gains	Amortization of goodwill and negative goodwill	Amortization of land use rights	Depreciation	Power generation licence	Others	Total
As at 1 January 2007	(191,262)	(149,693)	(58,219)	(787,167)	—	(7,364)	(1,193,705)
Deemed disposal of Sichuan Hydropower	—	—	6,043	325,037	—	—	331,080
Acquisitions	—	—	(889)	(6,165)	—	—	(7,054)
(Charged) / Credited to the income statement	(13,070)	(4,083)	(14,064)	122,815	—	4,306	95,904
Charged directly to equity	(404,418)	—	—	—	—	—	(404,418)
As at 31 December 2007	(608,750)	(153,776)	(67,129)	(345,480)	—	(3,058)	(1,178,193)
Acquisition	—	—	(76,600)	(365,261)	(728,732)	—	(1,170,593)
(Charged) / Credited to the income statement	—	43,292	3,365	(91,277)	—	(19,863)	(64,483)
Charged directly to equity	521,129	—	—	—	—	(11,863)	509,266
Currency translation differences	—	—	4,829	26,503	46,761	131	78,224
As at 31 December 2008	(87,621)	(110,484)	(135,535)	(775,515)	(681,971)	(34,653)	(1,825,779)

	The Company				
	Fair value gains	Amortization of goodwill and negative goodwill	Depreciation	Others	Total
As at 1 January 2007	(191,262)	(149,693)	(44,822)	(7,364)	(393,141)
(Charged) / Credited to the income statement	(13,070)	(4,083)	(31,544)	5,356	(43,341)
Charged directly to equity	(404,418)	—	—	—	(404,418)
As at 31 December 2007	(608,750)	(153,776)	(76,366)	(2,008)	(840,900)
Credited / (Charged) to the income statement	—	43,292	1,119	(26,822)	17,589
Charged directly to equity	521,129	—	—	—	521,129
As at 31 December 2008	(87,621)	(110,484)	(75,247)	(28,830)	(302,182)

(Amounts expressed in thousands of RMB unless otherwise stated)

33. DEFERRED INCOME TAX *(Cont'd)*

Deferred income tax assets are recognized for tax loss carried-forwards to the extent that the realization of the related tax benefits through the future taxable profits is probable. The Company and its subsidiaries did not recognize deferred income tax assets in respect of certain losses that can be carried forward against future taxable income. The expiry dates of the tax losses to be utilized are summarized as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Year of expiry				
2008	N/A	—	N/A	—
2009	8,502	12,970	8,502	12,970
2010	69,804	30,252	69,804	30,252
2011	44,038	46,574	44,038	46,574
2012	269,160	225,766	266,728	223,334
2013	2,530,945	N/A	1,735,553	N/A
	2,922,449	315,562	2,124,625	313,130

34. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEETS

As at 31 December 2008, the net current liabilities of the Company and its subsidiaries amounted to approximately RMB32,468 million (2007: RMB12,826 million). On the same date, total assets less current liabilities were approximately RMB113,432 million (2007: RMB92,920 million).

As at 31 December 2008, the net current liabilities of the Company amounted to approximately RMB12,084 million (2007: RMB5,228 million). On the same date, total assets less current liabilities were approximately RMB79,792 million (2007: RMB67,536 million).

(Amounts expressed in thousands of RMB unless otherwise stated)

35. INCOME TAX EXPENSE

Income tax expense comprised:

	For the year ended 31 December	
	2008	2007
Current income tax expense	48,565	1,033,570
Deferred income tax (Note 33)	(288,288)	(195,300)
	(239,723)	838,270

No Hong Kong profits tax has been provided as there was no estimated assessable profits in Hong Kong for the year (2007: Nil). The reconciliation of the effective income tax rate from the statutory income tax rate is as follows:

	For the year ended 31 December	
	2008	2007
Average statutory tax rate	20.06%	18.03%
Effect of tax holiday	(1.21%)	(3.86%)
Tax credit relating to domestically manufactured equipment*	(2.52%)	(2.24%)
Deductible tax loss not recognized as deferred income tax assets in the current year	(9.67%)	0.58%
Others	(1.66%)	(1.06%)
Effective tax rate	5.00%	11.45%

* This represented tax credit granted to certain power plants on their purchases of certain domestically manufactured equipment upon the approval of the tax bureaus.

The average statutory tax rate for the years ended 31 December 2008 and 2007 represented the weighted average tax rate of the Company and its subsidiaries calculated on the basis of the relative amounts of profit before tax and the applicable statutory tax rates.

The aggregated effect of the tax holiday was approximately RMB58 million for the year ended 31 December 2008 (2007: RMB282 million).

(Amounts expressed in thousands of RMB unless otherwise stated)

36. (LOSS) / EARNINGS PER SHARE

The calculation of basic (loss) / earnings per share is done based on the (loss) / profit attributable to the equity holders of the Company of approximately RMB(3,938) million (2007: RMB6,161 million) and the weighted average number of approximately 12,055 million (2007: 12,055 million) outstanding ordinary shares during the year.

There was no dilutive effect on (loss) / earnings per share since the Company had no dilutive potential ordinary shares for the years ended 31 December 2008 and 2007.

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Bank balances and cash comprised the following:

	The Company and Its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Restricted cash	199,248	220,495	170,395	190,050
Cash and cash equivalents	5,566,625	7,312,265	1,525,592	5,500,378
Total	5,765,873	7,532,760	1,695,987	5,690,428

The bank balance and cash of the Company and its subsidiaries are denominated in the following currencies:

	The Company and Its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
RMB	4,438,146	7,374,824	1,544,178	5,532,648
S$ (RMB equivalent)	1,164,861	—	—	—
US$ (RMB equivalent)	156,762	157,936	151,809	157,780
JPY (RMB equivalent)	6,104	—	—	—
Total	5,765,873	7,532,760	1,695,987	5,690,428

There is no material non-cash transaction for the year ended 31 December 2008. Except for the deemed disposal of Sichuan Hydropower, there is no material non-cash transaction for the year ended 31 December 2007.

In order to mitigate inconsistency across different capital markets, the Company and its subsidiaries reclassified interest paid from operating activities to financing activities in the current year. Prior year figure is reclassified accordingly.

Undrawn borrowing facilities

As at 31 December 2008, the Company and its subsidiaries had undrawn unsecured borrowing facilities amounting to approximately RMB28.1 billion (2007: RMB18.7 billion). Management expects to drawdown the available facilities in accordance with the level of working capital and / or planned capital expenditure of the Company and its subsidiaries.

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(Prepared in accordance with International Financial Reporting Standards)
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38. COMMITMENTS

(a) Capital and operational commitments

(i) Commitments mainly relate to the construction of new power projects, certain complementary facilities and renovation projects for existing power plants and the purchase of coal. Details of such commitments are as follows:

	The Company and Its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Contracted but not provided for				
– purchase of inventories	5,536,211	3,145,904	4,942,373	1,556,606
– construction	18,262,567	15,418,352	7,158,648	9,293,167
Sub-total	23,798,778	18,564,256	12,101,021	10,849,773
Authorized but not contracted for				
– purchase of inventories	85,087	3,579,423	—	3,579,423
– construction	746,675	2,626,945	227,129	2,626,945
Sub-total	831,762	6,206,368	227,129	6,206,368
Total	24,630,540	24,770,624	12,328,150	17,056,141

(ii) From 2004 to 2007, the Company also 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 escalations and minimum purchase level clauses. Purchases for the years ended 31 December 2008 and 2007 were approximately RMB7,893 million and RMB7,852 million respectively. The future purchase commitment under the above agreements are as follows:

	As at 31 December	
	2008	2007
2008	N/A	8,760,250
2009	7,893,329	7,808,250
	7,893,329	16,568,500

38. COMMITMENTS *(Cont'd)*

(a) Capital and operational commitments *(Cont'd)*

(iii) Jinling Power Company entered into a Gas Purchase Agreement with PetroChina Company Limited ("PTR") on 29 December 2004, pursuant to which Jinling Power Company purchases gas from PTR from the date on which it commenced commercial operations to 31 December 2023. According to the agreement, Jinling Power Company is required to pay to PTR at a minimum annual price equivalent to 486.9 million standard cubic meter of gas from 2008 to the end of gas supply period, which amounted to approximately RMB694 million based on current market price as at 31 December 2008. The purchase price is negotiated annually between the contracting parties based on the latest ruling set out by the National Development and Reform Commission. For the year ended 31 December 2008, the annual purchase amounted to RMB688 million.

(iv) As at 31 December 2008, SinoSing Power has the following purchase commitments with subsidiaries of Temasek:

- Purchase of 17.6 billion British Thermal Unit ("BBtu") of natural gas per day from Gas Supply Pte Ltd. during the plateau period up to 31 December 2014 with possible decrease in gas purchase volume thereafter. The agreement will be terminated on or before 2023 subject to the termination provisions within the agreement. As at 31 December 2008, the unit contract price was RMB101,949 per BBtu. Purchase for the year ended 31 December 2008 amounted to approximately S$111 million.

- Purchase of 157.5 BBtu of natural gas per day from SembCorp Gas Pte Ltd. during the plateau period up to 31 December 2013 with possible decrease in gas purchase volume thereafter. The agreement will be terminated on or before 2023 subject to the termination provisions within the agreement. As at 31 December 2008, the unit contract price was RMB97,060 per BBtu. Purchase for the year ended 31 December 2008 amounted to approximately S$892 million.

(Amounts expressed in thousands of RMB unless otherwise stated)

38. COMMITMENTS *(Cont'd)*

(b) Operating lease commitments

The Company has various operating lease arrangements with HIPDC for land and buildings (Note 7(b)). Some of the leases contain renewal options and most of the leases contain escalation clauses. Lease terms do not contain restrictions on the Company's activities concerning dividends, additional debts or further leasing.

Total future minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December	
	2008	2007
Land and buildings		
– not later than 1 year	31,707	29,254
– later than 1 year and not later than 2 years	3,253	3,253
– later than 2 years and not later than 5 years	9,760	9,760
– later than 5 years	104,632	107,885
	149,352	150,152

In addition, in accordance with a 30-year operating lease agreement signed by Huaneng Dezhou Power Plant ("Dezhou Power Plant") and Shandong Land Bureau for the land occupied by Dezhou Power Plant Phases I and II in June 1994, annual rental amounted to approximately RMB30 million 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. For the years ended 31 December 2008 and 2007, the annual rental were approximately RMB30 million and RMB30 million, respectively.

(Amounts expressed in thousands of RMB unless otherwise stated)

39. FINANCIAL GUARANTEES

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2008	2007	2008	2007
Financial guarantees				
– granted to an associate	43,563	86,063	43,563	86,063
– granted to a subsidiary	—	—	4,044,581	—
	43,563	86,063	4,088,144	86,063

Based on historical experience, no claims have been made against the Company and its subsidiaries since the dates of granting the financial guarantees described above.

40. MATERIAL BUSINESS COMBINATION

On 24 March 2008, SinoSing Power acquired 100% equity interest of Tuas Power from Temasek. The acquired business contributed consolidated revenue of RMB10,413 million and consolidated profit of RMB549 million to the Company and its subsidiaries for the period from date of acquisition to 31 December 2008. Should the acquisition had occurred on 1 January 2008, unaudited consolidated revenue and unaudited consolidated loss of the Company and its subsidiaries for the year would have been RMB70,383 million and RMB4,587 million, respectively.

Details of consideration and goodwill arising from the acquisition of Tuas Power by SinoSing Power are as follows:

Consideration paid in cash	21,675,288
Directly incremental costs	88,164
Total cost of combination	21,763,452
Less: fair value of net identifiable assets acquired	(10,374,425)
Goodwill	11,389,027

The goodwill is attributable to leading position and profitability of Tuas Power in its market.

(Amounts expressed in thousands of RMB unless otherwise stated)

40. MATERIAL BUSINESS COMBINATION *(Cont'd)*

The assets and liabilities arising from the acquisition of Tuas Power are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	1,619,108	1,619,108
Property, plant and equipment	6,074,396	5,715,125
Land use rights	614,549	213,757
Power generation licence	4,073,278	24,767
Deferred income tax assets	650	650
Other non-current assets	189,863	165,097
Inventories	746,360	746,360
Derivative financial assets	180,595	180,595
Receivables	1,297,323	1,297,323
Payables	(3,007,452)	(3,007,452)
Salary and welfare payables	(14,952)	(14,952)
Borrowings	(102,592)	(102,592)
Derivative financial liabilities	(98,180)	(98,180)
Deferred income tax liabilities	(1,163,474)	(293,474)
Minority interests	(35,047)	(35,047)
Net identifiable assets acquired	10,374,425	6,411,085
Consideration paid in cash	21,675,288	
Direct costs relating to acquisition	82,583	
Less: cash and cash equivalents from the subsidiary acquired	(1,619,108)	
Net cash paid for acquiring the subsidiary	20,138,763	

41. BUSINESS RISK

The Company and its subsidiaries conduct their operations in the PRC and accordingly investing in the shares of the Company and its subsidiaries are subject to the risks of, among others, economic and legal environment in the PRC, restructuring of the PRC power industry and regulatory reform, new regulation pertaining to setting of power tariff and availability of fuel supply at stable price. The Company and its subsidiaries also penetrated into Singapore market through acquisition of Tuas Power and its subsidiaries during the year.

For the year ended 31 December 2008, the Company and its subsidiaries sold electricity to five (2007: four) major customers, each of which amounted to approximately 10% or more of the operating revenue. In aggregation, these customers accounted for approximately 57% (2007: 55%) of the operating revenue of the Company and its subsidiaries.

42. SUBSEQUENT EVENT

The Company and its subsidiaries issued RMB5 billion of unsecured short-term bonds at their nominal values bearing coupon rate of 1.88% per annum on 24 February 2009. These bonds will mature in 365 days.

PRICEWATERHOUSECOOPERS
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Report of the Auditors

PwC ZT Shen Zi (2009) No.10022

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TO THE SHAREHOLDERS OF HUANENG POWER INTERNATIONAL, INC.

We have audited the accompanying financial statements of Huaneng Power International, Inc. (hereinafter referred to as "Huaneng Power") and its subsidiaries (hereinafter referred to as "Huaneng Power and its subsidiaries"), which comprise the consolidated balance sheet of Huaneng Power and its subsidiaries as at 31 December 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and the balance sheet of Huaneng Power as at 31 December 2008 and its income statement, cash flow statement and statement of changes in equity for the year then ended and notes to these financial statements.

(1) MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of Huaneng Power and its subsidiaries is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes:

(1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

(2) selecting and applying appropriate accounting policies;

(3) making accounting estimates that are reasonable in the circumstances.

PRICEWATERHOUSECOOPERS
普华永道

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(2) AUDITOR'S RESPONSIBILITY

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

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

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

(3) OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Huaneng Power and its subsidiaries and Huaneng Power stand-alone as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

PricewaterhouseCoopers
Zhong Tian CPAs Limited Company

Certified Public Accountant
Wang Binhong

Certified Public Accountant
Li You

Shanghai • China
31 March 2009

Balance Sheets

As At 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

ASSETS	Note	31 December 2008	31 December 2007	31 December 2008	31 December 2007
		Consolidated		The Company	
CURRENT ASSETS					
Cash	7(1)	5,765,873,510	7,532,760,305	1,695,986,445	5,690,428,161
Derivative financial assets	7(2)	15,479,384	—	—	—
Notes receivable	7(3)	666,255,246	1,674,933,239	114,000,000	409,531,418
Accounts receivable	7(4), 10(1)	7,128,244,389	6,201,384,406	3,873,554,492	3,688,274,755
Advances to suppliers	7(5)	659,137,122	537,169,705	662,095,113	357,795,850
Interest receivable		2,005,634	2,254,384	6,271,760	2,254,384
Dividend receivable		—	—	58,600,861	—
Other receivables	7(4), 10(1)	423,981,605	281,757,838	395,467,774	315,983,543
Entrusted loans	11(8)	—	—	2,440,000,000	—
Inventories	7(6)	5,169,847,161	2,319,290,494	2,831,029,858	1,476,464,289
Current portion of non-current assets		10,166,317	—	—	—
Other current assets		177,187,990	1,510,798	145,771,460	156,911
Total current assets		20,018,178,358	18,551,061,169	12,222,777,763	11,940,889,311
NON-CURRENT ASSETS					
Available-for-sale financial assets	7(7)	1,262,042,775	3,346,559,685	1,262,042,775	3,346,559,685
Long-term equity investments	7(8), 10(2)	8,745,002,312	8,511,050,400	25,695,390,165	16,426,523,978
Fixed assets	7(9)	91,291,630,220	76,062,501,399	49,047,844,984	42,829,128,741
Construction-in-progress	7(11)	13,640,791,750	8,803,472,597	9,213,893,507	4,691,088,438
Construction materials	7(10)	11,492,064,608	4,079,709,861	4,904,194,912	3,359,053,100
Intangible assets	7(12)	6,800,885,941	2,321,671,156	1,714,544,159	1,609,885,948
Goodwill	7(13)	10,672,965,231	129,441,347	1,528,308	1,528,308
Long-term deferred expenses		181,847,382	76,232,647	1,319,913	1,837,059
Deferred income tax assets	7(24)	384,475,177	257,650,147	—	200,252,359
Other non-current assets		97,776,428	—	—	—
Total non-current assets		144,569,481,824	103,588,289,239	91,840,758,723	72,465,857,616
TOTAL ASSETS		164,587,660,182	122,139,350,408	104,063,536,486	84,406,746,927

Balance Sheets (Cont'd)

As At 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

Liabilities and Shareholders' Equity	Note	31 December 2008	31 December 2007	31 December 2008	31 December 2007
		Consolidated		The Company	
CURRENT LIABILITIES					
Short-term loans	7(14)	28,745,487,670	11,670,400,123	9,638,000,000	4,240,000,000
Derivative financial liabilities	7(2)	542,441,864	—	—	—
Notes payable	7(15)	12,060,500	332,544,000	500,000,000	332,544,000
Accounts payable	7(16)	2,997,905,901	2,017,227,031	1,326,695,016	1,186,031,317
Salary and welfare payables	7(17)	212,236,060	213,403,153	148,039,857	162,174,184
Taxes payable	7(18)	420,464,389	955,334,054	180,771,747	588,784,593
Interest payables		424,287,396	181,088,854	255,214,986	121,649,783
Dividends payable	7(19)	56,733,907	12,150,000	36,000,000	—
Other payables	7(20)	6,354,394,031	5,702,416,535	3,597,667,784	3,501,421,087
Current portion of non-current liabilities	7(22)	6,545,420,739	4,219,515,105	2,498,544,158	1,026,684,643
Other current liabilities	7(21)	5,340,299,353	5,228,038,843	5,291,065,963	5,165,580,091
Total current liabilities		51,651,731,810	30,532,117,698	23,471,999,511	16,324,869,698
NON-CURRENT LIABILITIES					
Long-term loans	7(22)	59,027,180,707	33,438,647,481	31,712,372,108	15,896,095,397
Derivative financial liabilities	7(2)	17,241,800	—	—	—
Bonds payable	7(23)	9,834,688,447	5,885,614,909	9,834,688,447	5,885,614,909
Deferred income tax liabilities	7(24)	1,091,023,185	770,318,864	9,519,743	759,125,768
Other non-current liabilities	7(25)	1,392,995,793	746,907,767	1,311,529,960	684,857,767
Total non-current liabilities		71,363,129,932	40,841,489,021	42,868,110,258	23,225,693,841
TOTAL LIABILITIES		123,014,861,742	71,373,606,719	66,340,109,769	39,550,563,539
SHAREHOLDERS' EQUITY					
Share capital	7(26)	12,055,383,440	12,055,383,440	12,055,383,440	12,055,383,440
Capital surplus	7(27)	8,669,423,555	10,700,531,318	7,244,448,142	8,796,231,783
Surplus reserves	7(28)	6,142,345,063	6,142,345,063	6,142,345,063	6,142,345,063
Undistributed profits	7(29)	9,913,855,780	17,221,419,482	12,281,250,072	17,862,223,102
Currency translation difference		(534,432,581)	—	—	—
Shareholder's equity attributable to shareholders of the Company		36,246,575,257	46,119,679,303	37,723,426,717	44,856,183,388
Minority interests	7(30)	5,326,223,183	4,646,064,386	—	—
TOTAL SHAREHOLDERS' EQUITY		41,572,798,440	50,765,743,689	37,723,426,717	44,856,183,388
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		164,587,660,182	122,139,350,408	104,063,536,486	84,406,746,927

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:*
Cao Peixi	**Zhou Hui**	**Huang Lixin**

Income Statements

For The Year Ended 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		For the year ended 31 December			
	Note	2008	2007	2008	2007
		Consolidated		The Company	
1. Operating revenue	7(31), 10(3)	67,825,137,078	50,434,614,049	37,826,145,958	32,014,678,503
Less: Operating cost	7(31), 10(3)	(66,876,299,597)	(40,943,065,668)	(37,786,703,845)	(26,140,551,211)
Tax and levies on operations	7(32)	(106,385,323)	(151,105,639)	(14,823,287)	(14,655,468)
Selling expenses		(2,505,051)	—	—	—
General and administrative expenses		(1,854,930,669)	(1,524,034,619)	(1,216,341,160)	(1,066,256,341)
Financial expenses, net	7(33)	(3,624,421,205)	(1,939,092,478)	(1,513,453,706)	(559,936,443)
Assets impairment loss	7(34)	(92,667,846)	6,480,825	(207,765,617)	(1,043,084)
Loss from changes in fair value		(54,657,795)	(100,179,545)	—	(100,179,545)
Add: Investment income	7(35), 10(4)	184,833,113	1,341,059,743	833,927,495	2,311,596,005
Including: investment income from associates		133,772,054	586,233,218	131,920,229	584,228,533
2. Operating (loss) / profit		(4,601,897,295)	7,124,676,668	(2,079,014,162)	6,443,652,416
Add: Non-operating income	7(36)	294,619,514	303,211,333	144,449,425	209,884,722
Less: Non-operating expenses	7(36)	(125,765,374)	(38,018,781)	(89,888,521)	(30,013,972)
Including: loss on disposals of non-current assets		(70,380,795)	(14,771,760)	(56,697,101)	(13,033,978)
3. (Loss) / Profit before taxation		(4,433,043,155)	7,389,869,220	(2,024,453,258)	6,623,523,166
Less: Income tax expense	7(37)	219,824,532	(972,263,962)	49,814,104	(418,472,091)
4. Net (loss) / profit		(4,213,218,623)	6,417,605,258	(1,974,639,154)	6,205,051,075
Including: net profit generated by acquiree before business combination under common control		—	94,600,836	—	—
Attributable to:					
Shareholders of the Company		(3,701,229,826)	5,997,058,661	(1,974,639,154)	6,205,051,075
Minority interests		(511,988,797)	420,546,597	—	—
5. (Loss)/earnings per share (based on the net (loss) / profit attributable to shareholders of the Company)					
Basic (loss)/earnings per share	7(38)	(0.31)	0.50		
Diluted (loss)/earnings per share		(0.31)	0.50		

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:*
Cao Peixi	**Zhou Hui**	**Huang Lixin**

Cash Flow Statements

For The Year Ended 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

Items	Note	2008 Consolidated	2007 Consolidated	2008 The Company	2007 The Company
1. Cash flows generated from operating activities					
Cash received from sales of goods and services rendered		76,070,701,059	57,359,530,390	43,276,991,673	36,802,767,901
Other cash received relating to operating activities		437,882,682	194,385,312	1,192,331,068	777,554,757
Sub-total of cash inflows of operating activities		76,508,583,741	57,553,915,702	44,469,322,741	37,580,322,658
Cash paid for goods and services received		(62,227,008,044)	(34,138,632,366)	(36,533,950,861)	(21,346,598,516)
Cash paid to and on behalf of employees		(3,312,894,312)	(3,009,251,361)	(2,179,506,047)	(2,112,352,900)
Payments of all types of taxes		(4,941,561,809)	(6,552,635,085)	(3,103,365,120)	(3,888,540,344)
Other cash paid relating to operating activities	7(39)	(841,226,021)	(1,631,993,852)	(445,490,845)	(1,549,065,354)
Sub-total of cash outflows of operating activities		(71,322,690,186)	(45,332,512,664)	(42,262,312,873)	(28,896,557,114)
Net cash flows generated from operating activities	7(39)	5,185,893,555	12,221,403,038	2,207,009,868	8,683,765,544
2. Cash flows generated from investing activities					
Cash received from disposals of investments or repayment of a loan		254,255,000	603,945,511	25,200,000	603,411,052
Cash received on investment income		381,854,286	518,933,990	860,919,021	1,358,505,450
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		25,335,765	270,130,779	23,159,879	165,021,516
Other cash received relating to investing activities		12,474,810	—	—	—
Sub-total of cash inflows of investing activities		673,919,861	1,393,010,280	909,278,900	2,126,938,018
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(27,985,574,026)	(15,442,320,214)	(16,254,718,791)	(10,313,185,109)
Cash paid for investments		(496,956,154)	(2,989,395,263)	(6,436,871,172)	(3,534,645,263)
Net cash paid to acquire subsidiaries and other operating units		(20,148,455,118)	—	—	—
Cash decrease due to deemed disposal of a subsidiary		—	(322,176,384)	—	—
Sub-total of cash outflows of investing activities		(48,630,985,298)	(18,753,891,861)	(22,691,589,963)	(13,847,830,372)
Net cash flows used in investing activities		(47,957,065,437)	(17,360,881,581)	(21,782,311,063)	(11,720,892,354)

For The Year Ended 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

Items	Note	2008 Consolidated	2007 Consolidated	2008 The Company	2007 The Company
3. Cash flows generated from financing activities					
Cash received from investments		1,162,561,500	164,890,000	—	—
Including: cash received from minority shareholders of subsidiaries		1,162,561,500	164,890,000	—	—
Cash received from borrowings		94,352,945,577	32,854,681,377	50,686,224,000	22,319,775,999
Cash received from issuing long-term bonds and short-term bonds		8,913,302,353	10,883,643,800	8,913,302,353	10,883,643,800
Other cash received relating to financing activities		236,013,000	229,910,000	203,513,000	179,510,000
Sub-total of cash inflows of financing activities		104,664,822,430	44,133,125,177	59,803,039,353	33,382,929,799
Cash paid on repayments of borrowings		(54,738,207,239)	(28,264,673,990)	(38,171,833,901)	(21,617,724,430)
Cash paid for dividends, profit appropriation or interest expense payments		(8,603,744,945)	(6,625,656,000)	(5,963,616,310)	(4,646,669,532)
Including: dividends paid to minority shareholders of subsidiaries		(301,661,688)	(434,204,673)	—	—
Other cash paid relating to financing activities		(67,579,007)	(15,356,954)	(64,366,647)	(11,210,343)
Sub-total of cash outflows of financing activities		(63,409,531,191)	(34,905,686,944)	(44,199,816,858)	(26,275,604,305)
Net cash flows generated from financing activities		41,255,291,239	9,227,438,233	15,603,222,495	7,107,325,494
4. Effect of foreign exchange rate changes on cash		(229,759,094)	(4,298,406)	(2,707,374)	(2,985,602)
5. Net (decrease) / increase in cash	7(39)	(1,745,639,737)	4,083,661,284	(3,974,786,074)	4,067,213,082
Add: Cash at beginning of the year		7,312,264,810	3,228,603,526	5,500,377,727	1,433,164,645
6. Cash at end of the year		5,566,625,073	7,312,264,810	1,525,591,653	5,500,377,727

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:
Cao Peixi	**Zhou Hui**	**Huang Lixin**

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

		Attributable to shareholders of the Company					
Items	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Minority interests	Total shareholders' equity
Balance as at 1 January 2007		12,055,383,440	10,278,881,619	5,503,477,721	15,228,908,521	6,332,307,763	49,398,959,064
Changes for the year ended 31 December 2007							
Net profit		—	—	—	5,997,058,661	420,546,597	6,417,605,258
Gains / (Losses) directly recorded in shareholders' equity							
Net changes in fair value of available-for-sale investments		—	1,072,787,539	—	—	—	1,072,787,539
Other equity movements of investee companies accounted for under equity method		—	7,395,991	—	—	—	7,395,991
Income tax impact of items recorded in shareholders' equity		—	(404,418,294)	—	—	—	(404,418,294)
Business combination under common control		—	(420,000,000)	—	—	—	(420,000,000)
Others		—	165,884,463	39,161,476	(29,334,471)	8,313,599	184,025,067
Subtotal		—	421,649,699	39,161,476	5,967,724,190	428,860,196	6,857,395,561
Capital injection and withdrawal by shareholders							
Capital injection by shareholders		—	—	—	—	116,890,000	116,890,000
Others		—	—	—	—	(1,785,638,900)	(1,785,638,900)
Profit appropriation							
Transfer to surplus reserves	7(29)	—	—	599,705,866	(599,705,866)	—	—
Dividends payable to shareholders	7(29)	—	—	—	(3,375,507,363)	(446,354,673)	(3,821,862,036)
Balance as at 31 December 2007		12,055,383,440	10,700,531,318	6,142,345,063	17,221,419,482	4,646,064,386	50,765,743,689

For The Year Ended 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

Items	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Currency translation differences	Minority interests	Total shareholders' equity
		Attributable to shareholders of the Company						
Balance as at 1 January 2008		12,055,383,440	10,700,531,318	6,142,345,063	17,221,419,482	—	4,646,064,386	50,765,743,689
Changes for the year ended 31 December 2008								
Net loss		—	—	—	(3,701,229,826)	—	(511,988,797)	(4,213,218,623)
Gains / (Losses) directly recorded in shareholders' equity								
Net changes in fair value of available-for-sale investments		—	(2,080,387,518)	—	—	—	—	(2,080,387,518)
Other equity movements of investe companies accounted for under equity method		—	(253,002)	—	—	—	—	(253,002)
Effective portion of fair value changes in the hedging instruments of cash flow hedges		—	(1,059,646,156)	—	—	—	—	(1,059,646,156)
Recycle of hedging reserves to income statement		—	478,425,529	—	—	—	—	478,425,529
Income tax impact of items recorded in shareholders' equity		—	624,716,590	—	—	—	—	624,716,590
Others		—	6,036,794	—	—	—	4,257,400	10,294,194
Subtotal		—	(2,031,107,763)	—	(3,701,229,826)	—	(507,731,397)	(6,240,068,986)
Capital injection by shareholders		—	—	—	—	—	1,523,449,000	1,523,449,000
Acquisition of subsidiaries		—	—	—	—	—	35,046,523	35,046,523
Others		—	—	—	—	—	(58,155,305)	(58,155,305)
Profit appropriation								
Dividends payable to shareholders	7(29)	—	—	—	(3,606,333,876)	—	(310,245,595)	(3,916,579,471)
Currency translation differences		—	—	—	—	(534,432,581)	(2,204,429)	(536,637,010)
Balance as at 31 December 2008		12,055,383,440	8,669,423,555	6,142,345,063	9,913,855,780	(534,432,581)	5,326,223,183	41,572,798,440

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:*
Cao Peixi	**Zhou Hui**	**Huang Lixin**

Statement of Changes in Equity

For The Year Ended 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

Items	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance as at 1 January 2007		12,055,383,440	7,915,109,729	5,503,477,721	15,368,374,950	40,842,345,840
Changes for the year ended 31 December 2007						
Net profit		—	—	—	6,205,051,075	6,205,051,075
Gains / (Losses) directly recorded in shareholders' equity						
Net changes in fair value of available-for-sale investments		—	1,072,787,539	—	—	1,072,787,539
Other equity movements of investee companies accounted for under equity method		—	7,395,991	—	—	7,395,991
Income tax impact of items recorded in shareholders' equity		—	(404,418,294)	—	—	(404,418,294)
Others		—	205,356,818	39,161,476	264,010,306	508,528,600
Subtotal		—	881,122,054	39,161,476	6,469,061,381	7,389,344,911
Profit appropriation						
Transfer to surplus reserves		—	—	599,705,866	(599,705,866)	—
Dividends payables to shareholders		—	—	—	(3,375,507,363)	(3,375,507,363)
Balance as at 31 December 2007		12,055,383,440	8,796,231,783	6,142,345,063	17,862,223,102	44,856,183,388

Statement of Changes in Equity (Cont'd)

For The Year Ended 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
(All amounts are stated in RMB Yuan unless otherwise stated)

Items	Note	Share capital	Capital surplus	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance as at 1 January 2008		12,055,383,440	8,796,231,783	6,142,345,063	17,862,223,102	44,856,183,388
Changes for the year ended 31 December 2008						
Net loss		—	—	—	(1,974,639,154)	(1,974,639,154)
Gains / (Losses) directly recorded in shareholders' equity						
Net changes in fair value of available-for-sale investment		—	(2,080,387,518)	—	—	(2,080,387,518)
Other equity movements of investee companies accounted for under equity method		—	(253,002)	—	—	(253,002)
Income tax impact of items recorded in shareholders' equity		—	520,096,879	—	—	520,096,879
Others		—	8,760,000	—	—	8,760,000
Subtotal		—	(1,551,783,641)	—	(1,974,639,154)	(3,526,422,795)
Profit appropriation						
Transfer to surplus reserves		—	—	—	—	—
Dividends payables to shareholders		—	—	—	(3,606,333,876)	(3,606,333,876)
Balance as at 31 December 2008		12,055,383,440	7,244,448,142	6,142,345,063	12,281,250,072	37,723,426,717

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:
Cao Peixi	**Zhou Hui**	**Huang Lixin**

1. COMPANY PROFILE

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 place of registration 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 directly or through their respective local 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 power plants"). The five original operating power 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 HIPDC received an equity interest in the Company (the "Reorganization"). After the Reorganization, the Company continues to construct or acquire other operating power 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 has listed its A share 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 11(1) for details.

On 10 March 2008, SinoSing Power Pte. Ltd. ("SinoSing Power") was incorporated as an oversea vehicle of Huaneng Group, and on 24 March 2008, acquired 100% equity interest of Tuas Power Ltd. ("Tuas Power") from Temasek Holdings (Private) Limited ("Temasek") in Singapore. On 29 April 2008, the Company entered into a transfer agreement with Huaneng Group, pursuant to which the Company agreed to acquire from Huaneng Group 100% equity interest in SinoSing Power. The consideration paid comprises the whole costs incurred by Huaneng Group, including (1) approximately US$985 million being the capital injected into SinoSing Power by Huaneng Group and (2) an aggregate amount of approximately RMB176 million being all the related expenses (including loan interest) directly incurred in connection with the acquisition of 100% equity interest of Tuas Power, with total amounted to RMB7.08 billion.

In December 2008, the Company entered into an agreement with Jiangsu Electricity Development Inc. ("Jiangsu Electricity"), pursuant to which the Company agreed to acquire from Jiangsu Electricity 10% equity interest in Huaneng Huaiyin Power Generation Co. Ltd. ("Huaiyin Power Company") with a consideration of RMB 67 million. The acquisition became effective at the end of December 2008 after the satisfaction of all the necessary conditions, the payments of the purchase considerations and the transfer of relevant equity, thereby increased the Company's equity interest in Huaiyin Power Company to 100%.

These financial statements were approved by the board of directors of the Company on 31 March 2009.

2. BASIS OF PREPARATION

The Company and its subsidiaries prepare financial statements in accordance with the "Accounting Standards for Business Enterprises – Basic Standard" and the 38 specific accounting standards promulgated by Ministry of Finance on 15 February 2006, Application Guidance for the Accounting Standards for Business Enterprises, Interpretation of the Accounting Standards for Business Enterprises and other related regulations (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises") which were promulgated thereafter.

3. DECLARATION OF COMPLIANCE OF THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The consolidated financial statements of the Company and its subsidiaries and the financial statements of the Company for the year ended 31 December 2008 are prepared in accordance with the Accounting Standards for Business Enterprises, and present fairly and completely the financial position of the Company and its subsidiaries as well as the Company alone as at 31 December 2008 and their financial performance and cash flows and other related information for the year ended 31 December 2008.

4. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Financial year

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

(2) Reporting currency

The reporting currency of the Company and its subsidiaries' domestic businesses is Renminbi ("RMB"), and the reporting currency for the oversea businesses is the currency of the country in which they operate.

(3) Basis of accounting and measurement principle

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

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

(4) Foreign currency translation

(a) Foreign currency transaction

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

(b) Foreign currency translation of financial statements

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

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

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

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

(5) Cash and cash equivalents

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

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

(6) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading including held-for-trading financial assets and financial assets designated upon initial recognition as at fair value through profit or loss. Please refer to Note 4(6)(e) for details of derivative financial assets designated as cash flow hedges.

(b) Receivables

Receivables refer to the non-derivative financial assets for which there is no quotation in the active market with fixed or determinable amount. Except for maturities greater than 12 months after the balance sheet dates which are categorized as non-current assets, they are included in current assets which include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables ,etc.. Please refer to Note 4(7) for details of the accounting policy of receivables.

(c) Available-for-sale financial assets

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

(d) Recognition and measurement

Financial assets are recognized initially at fair value when the Company and its subsidiaries become a party of a financial instrument contract. Transaction costs relating to financial assets at fair value through profit or loss are directly expensed in the income statement as incurred. Transaction costs for other financial assets are included in the carrying amount of assets at initial recognition. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or all risks and rewards related to the ownership of the financial assets have been transferred to the transferee.

Financial assets at fair value through profit or loss and available-for-sale are subsequently measured at fair value. However, the equity investments that have no quoted prices in an active market and whose fair value cannot be measured reliably are measured at cost.

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

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

(d) Recognition and measurement (Cont'd)

Changes in the fair value of financial assets at fair value through profit or loss are recorded in the gain or loss from changes in fair value. Interest or cash dividends received in the duration of such assets are recorded in the income statements in the current period. The difference between fair value and carrying amount is recognized as investment income on disposal and adjusts the gain or loss from changes in fair value accordingly. The subsequent changes in the fair value of derivative financial instruments are recorded in gain or loss from changes in fair value, except the effective portion of gain or loss arising from the qualifying hedging instruments of cash flow hedges being deferred in equity (refer to Note 4(6)(e)).

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

Receivables are measured at amortized cost using the effective interest method.

(e) Cash flow hedge

Cash flow hedge represents a hedge against the exposure to variability in cash flows where such cash flow is originated from a particular risk associated with a highly probable forecast transaction and could affect the income statements.

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

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in equity as a separate component. The gain or loss relating to the ineffective portion is recognized immediately in the income statements.

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

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

(e) Cash flow hedge (Cont'd)

Amounts accumulated in equity are recycled to the income statements in the periods when the hedged item affects profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. In case the Company and its subsidiaries expect all or a portion of net loss previously recognized directly in equity will not be recovered in future financial periods, the irrecoverable portion will be reclassified into the income statements.

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

(f) Impairment of financial assets

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

When there is a relatively significant or prolonged decline in the fair value of available-for-sale financial assets, changes in fair value that originally recorded in shareholder's equity should be reocrded as impairment loss. Impairment loss on available-for-sale equity investments is reversed through equity when the fair value subsequently increases as a result of objective changes in circumstances occurring after the impairment loss was originally recognized.

When financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to present value of estimated future cash flows (excluding future credit losses that have not been incurred). The impairment amount is recognized as assets impairment loss in the current period. If there is objective evidence that the value of the financial assets is recovered as a result of objective changes in circumstances occurring after the impairment loss was originally recognized, the originally recognized impairment loss is reversed through the income statements. For the impairment test of receivables, please refer to Note 4(7).

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

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

(7) Receivables

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

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

(8) Inventories

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

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

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

Provision for inventory obsolescence is determined by the excess of cost over its net realizable value on an item-by-item basis. For inventories that are voluminous and at relatively low unit price, provision is determined based on individual categories. Net realizable values are determined based on the estimated selling price less estimated conversion costs during power generation, selling expenses and related taxes in the ordinary course of business.

The Company and its subsidiaries apply perpetual inventory system.

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

(9) Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, associates and long-term equity investments in entities where i) the Company and its subsidiaries have no control, joint control or significant influence, ii) there is no quoted price in an active market and, iii) the fair value of such investments cannot be reliably measured.

(a) Subsidiaries

Subsidiaries are investees over which the Company and its subsidiaries have the power to exercises control, i.e. the power to govern the financial and operating policies to obtain benefits from the operating activities of the investees. When determining whether the Company and its subsidiaries exercise control over an investee, the impact from potential voting rights of the investee, such as currently convertible bonds and exercisable warrants, etc. is taken into account. The investments in subsidiaries are accounted for using cost method in the Company only financial statements. They are adjusted in accordance with equity method when preparing the consolidated financial statements.

Long-term equity investments accounted for using cost method are measured at initial investment cost. Cash dividends or income appropriation declared by the investees are recognized as investment income in the current period. 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 consideration paid is compared with the relative newly-acquired proportionate share of net assets of the subsidiary carried based on the fair value exercise on the acquisition date. Any excess or shortfall is recorded in equity. The gain or loss on disposals or deemed disposals of a portion of equity interests in subsidiaries to minority shareholders is recorded in shareholders' equity.

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

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

(b) Associates

Associates are investees over which the Company and its subsidiaries, in substance, have significant influence on the financial and operation decisions.

Investments in associates are initially recognized at cost, and are subsequently measured using equity method of accounting. The excess of initial investment cost over the proportionate share of fair value of net identifiable assets of the investee acquired is included in the initial investment cost. Any shortfall of the initial investment cost to the proportionate share of the fair value of identifiable net assets of investee acquired is recognized in current period profit and loss and long-term investment cost is adjusted accordingly.

When applying equity method, the Company and its subsidiaries adjust net profit or loss of the investees, including the fair value adjustments on the net identifiable assets of the associates and the adjustments to align with the accounting policies of the Company and different periods. Current period investment income is then recognized based on the proportionate share of the Company and its subsidiaries in the investees' net profit or loss. Net losses of investees are recognized to the extent of book value of long-term equity investments and any other constituting long-term equity investments in investees in substance. The Company and its subsidiaries will continue to recognize investment losses and provision if they bear additional obligations which meet the recognition criteria under the provision standard. The Company and its subsidiaries adjust the carrying amount of the investment and directly recognize into related equity items based on their proportionate share on other shareholders' equity movements of the investees other than net profit or loss, given there is no change in shareholding ratio. When the investees appropriate profit or declare dividends, the book value of long-term equity investments are reduced correspondingly by the proportionate share of the distribution. However, the excess of cash dividends over recognized investment income but within the share of post-acquisition profit, will be recognized as investment income in the current period. Profit or loss from transactions between the Company and its subsidiaries and the associates is eliminated to the extent of interest of the Company and its subsidiaries in the associates. Loss from transactions between the Company and its subsidiaries and the associates is fully recognized and not eliminated when there is evidence for asset impairment.

(c) Other long-term equity investments

Other long-term equity investments are accounted for using cost method where i) the Company and its subsidiaries have no control, joint control, or significant influence, ii) there is no quoted price in an active market, and iii) the fair value of the investments cannot be reliably measured.

(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 is less than its book value, the carrying amounts are reduced to recoverable amounts. Please refer to Note 4(14) for details.

For other long-term equity investments, impairment loss is recognized in the income statements based on the shortfall between carrying amounts and the present value of such investments (deriving from discounting of future cash flow of similar investments at current market return rate). Please refer to Note 4(6)(f) for details.

(10) Fixed assets and depreciation

Fixed assets consist of ports facilities, buildings, electric utility plant in service, transportation facilities and others. Fixed assets acquired or constructed are initially recognized at cost. Fixed assets obtained during the Reorganization were initially recorded at their appraisal value approved by relevant stated-owned assets administration authorities.

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

Depreciation of fixed assets is provided based on book value less estimated residual value over estimated useful life using straight-line method. For those impaired fixed assets, depreciation is provided based on book value after deducting impairment provision over estimated useful life.

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
Ports Facilities	20-40 years	5%	2.38%-4.75%
Buildings	8-35 years	0%-11%	2.71%-11.88%
Electric utility plant in service	5-35 years	0%-11%	2.71%-20.00%
Transportation facilities	6-14 years	0%-11%	6.79%-16.67%
Others	3-18 years	0%-11%	5.56%-33.33%

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

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

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

Fixed assets is derecognized when they are disposed of, or expected that cannot bring economic benefit through use or disposal. The amount of disposal income arising from sale, transfer, disposal or write-off of fixed assets less book value and related tax expenses is recorded in the income statements.

The carrying amount of fixed assets is written down immediately to its recoverable amount when its carrying amount is greater than its recoverable amount. Please refer to Note 4(14).

(11) Construction-in-progress

Construction-in-progress is recorded at cost. Cost comprises construction expenditures, other expenditures necessary for the purpose of preparing 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, construction-in-progress is impaired to its recoverable amount. Please refer to Note 4(14).

(12) Intangible assets and amortization

Intangible assets are initially recognized at cost. The Company's intangible assets obtained during the Reorganization were initially recorded at their appraisal value approved by relevant stated-owned assets administration authorities.

Intangible assets with definite useful lives are amortized using the straight-line method over their useful lives. The expected useful lives and amortization method applied to intangible assets with definite useful lives are reviewed at each financial year-end and adjusted when necessary.

Intangible assets with indefinite useful lives are not amortized. The useful lives of intangible assets with indefinite useful lives are reviewed in each accounting period.

When the recoverable amount of intangible assets becomes lower than their carrying amount, the intangible assets are impaired to their recoverable amount. Please refer to Note 4(14).

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

(13) Goodwill

Goodwill is the excess of equity investment cost over the proportionate share of the fair value of the net identifiable assets of the investees on the date of exchange, or the cost of business combination not under common control over the proportionate share of the fair value of the net identifiable assets on the acquisition date. Goodwill arising from business combinations is presented separately on consolidated financial statements.

Separately presented goodwill in consolidated financial statements is tested for impairment at least annually. When performing 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 arising from the business combination. The Company and its subsidiaries allocate goodwill to assets group or group of assets groups primarily based on region where they operate. Please refer to Note 4(14) for the accounting policy of impairment of assets group or group of assets groups. Goodwill is presented at cost less accumulated impairment loss as at period end.

(14) Non-financial assets impairment

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

The non-financial assets impairment referred above cannot 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 where the acquisition and construction take a substantial period of time to get ready for the intended use, are capitalized and recorded in the costs of the assets when the capital expenditure and borrowing costs are incurred and the necessary acquisition or construction activities to prepare the asset for its intended use begin. The capitalization of the borrowing costs is ceased when the asset under acquisition or construction is ready for the intended use, and the borrowing costs incurred afterward are expensed off. If the acquisition or construction of an asset is interrupted abnormally for more than 3 months, the capitalization of the borrowing costs is suspended till such activities resume. For specific borrowings for the acquisition or construction of an asset eligible for capitalization, the capitalized amount of interests is determined based on the interest expense incurred after deducting any interest income earned from the deposits or investment income from the temporary investment funded by the unused borrowing balance. For general borrowings used for acquisition or construction of an asset eligible for capitalization, the Company and its subsidiaries determine the capitalized interest by multiplying the weighted average excess of accumulated capital expenditure over specific borrowings by the capitalization rate of such general borrowings. The capitalization rate is determined according to the weighted average interest rate of the general borrowings.

Other borrowing costs are expensed.

(16) Payables

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

(17) Loans

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

(18) Employee benefits

Employee benefits include all expenditures relating to the employees for their services.

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

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

(19) Bonds payable

The corporate 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.

Interest expenses are expensed as incurred, unless capitalization criteria are met.

(20) Deferred income tax assets and liabilities

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

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

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

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

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

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

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

(21) Revenue recognition

Revenue is recognized based on the following methods:

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

(a) Principal operating revenue

Principal operating revenue refers to amounts earned from electricity sales (net of related taxes). The Company and its subsidiaries recognize revenue when electricity is sold to consumers. The Company and its subsidiaries recognize revenue at the fair value of the amount received or receivable according to the contracts or agreements.

(b) Management service income

As mentioned in Note 11(5)(h), the Company provides management service to certain power plants owned by Huaneng Group and HIPDC. The Company recognizes management service income as other income when the above-mentioned service is rendered in accordance with the management service agreement.

(c) Other income

Interest income from deposits is recognized on a time proportion basis using effective yield method.

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

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

(22) Leases

Leases where all the risks and rewards incidental to ownership of the assets are in substance transferred to the lessees are classified as finance leases. All other leases are operating leases.

(a) Operating lease (Lessee)

Operating lease expenses are capitalized or expensed on a straight-line basis over the lease term.

(b) Finance lease (Lessor)

The Company and its subsidiaries recognize the aggregate of the minimum lease receipts and the initial direct costs on the lease inception date as the receivable. The difference between the aggregate of the minimum lease receipts and the initial direct costs and sum of their respective present values shall be recognized as unrealized finance income. The Company and its subsidiaries adopt the effective interest method to allocate such unrealized finance income over the lease term. On balance sheet date, the Company and its subsidiaries present the net amount of finance lease receivable after deducting any unrealized finance income in other non-current assets and current portion of non-current assets respectively.

Please refer to Note 4(6)(f) for impairment test of the finance lease receivable.

(23) Government grants

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

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

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

(24) Dividends appropriation

Cash dividend is recognized as a liability in the period when the proposed dividend is approved by the general meeting of shareholders.

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

(25) Business combinations

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory; business combinations not under common control refers to combinations where the combining entities are not controlled by the same party or parties before and after the combination.

(a) Business combinations under common control

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amounts of the net assets obtained and the carrying amount of the consideration paid is recorded in capital surplus, with any excess over capital surplus being adjusted against undistributed profits.

Any direct transaction cost attributable to the business combination is recorded in the income statements in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds to effect the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

(b) Business combinations not under common control

The cost of an combination is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the combination date. The excess of the combination cost over the fair value of the Company and its subsidiaries' share in the identifiable net assets acquired is recorded as goodwill. If the combination cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statements.

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

(26) Preparation of consolidated financial statements

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

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

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

For subsidiaries acquired under business combinations not under common control, when preparing consolidated financial statements, adjustments are made on the financial statements of subsidiaries based on the fair value of the net identifiable assets acquired on the acquisition date. For subsidiaries acquired under business combinations under common control, when preparing consolidated financial statements, the consolidated financial statements include the assets, liabilities, operating results and cash flows of such subsidiaries from the earliest period presented as if the business combinations had occurred at the beginning of the earliest comparative period presented and the net profit of the acquiree realized before combination date is separately disclosed in the consolidated income statements.

(27) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and it is subject to risks and returns that are different from those of segments operating in other economic environments.

(28) Determination of the fair value of financial instruments

When an active market exists for financial instruments, fair value is determined based on quoted prices in the active market. When no such an active market exists, fair value is determined by using valuation techniques. Valuation techniques include making reference to the prices used by knowledgeable and willing parties in a recent transaction, the current fair value of other financial assets that are same in substance, discounted cash flow method and option pricing model, etc.. When applying valuation techniques, the Company and its subsidiaries use market parameters, rather than specific parameters of the Company and its subsidiaries, to the fullest extent possible.

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

(29) Changes in accounting estimates

Changes in accounting estimates refer to adjustments on the carrying amount of an asset or a liability, or on the amount of the regular consumption of an asset, as a result of the change in circumstances, and the expected future benefits and obligations associated with the asset or liability. The Company and its subsidiaries apply the changes in accounting estimates prospectively.

(30) Critical accounting estimates and judgments

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 resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Accounting estimates on impairment of goodwill and power generation licence

The Company and its subsidiaries perform test annually whether goodwill and power generation licence have suffered any impairment, in accordance with the accounting policy stated in Note 4(13) and 4(12).The recoverable amounts of assets group or group of assets groups have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 7(13) and 7(12)). It is reasonably possible, based on existing knowledge, that outcomes within the next financial period that are different from assumptions could require a material adjustment to the carrying amount of goodwill and power generation licence.

(b) Useful life of power generation licence

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

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

(30) Critical accounting estimates and judgments *(Cont'd)*

(c) Useful lives of fixed assets

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

(d) 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(14), an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. It is reasonably possible, based on existing knowledge, that outcomes within the next financial period that are different from assumptions could require a material adjustment to the carrying amount of fixed assets.

(e) Estimate of income tax expense

The Company and its subsidiaries recognize deferred income tax assets to the extent that it is probable that taxable profit will be available to offset the deductible temporary difference, deductible tax loss and tax credit. It is reasonably possible, based on existing knowledge, that outcomes that are different from assumptions of future taxable profit could require a material adjustment of deferred income tax assets.

5. TAXATION

(1) Value Added Tax ("VAT")

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

(2) Goods and Service Tax ("GST")

The overseas power sales of the Company and its subsidiaries are subject to GST of the country where they operate, with applicable tax rate of 7%.

(3) Income tax

On 16 March 2007, the National People's Congress promulgated the "Corporate Income Tax Law of the People's Republic of China" which became effective from 1 January 2008. Branches and subsidiaries of the Company which used to enjoy preferential tax rates or holidays will transit to 25% gradually in the next five years from 1 January 2008 onwards. The subsidiaries with applicable tax rate of 33% apply tax rate of 25% from 1 January 2008 onwards. In accordance with Guo Fa [2007]39, since 1 January 2008, the enterprises which used to enjoy tax holidays such as two-years' tax exemption and three-years' 50% tax rate deduction are grandfathered by the original tax laws, administrative regulations and relevant circulars till the expiration of their tax holidays. However, for those whose tax holiday has not commenced due to tax-losses, the tax holiday is deemed to begin from 2008 onwards.

The oversea subsidiaries of the Company applies income tax rate of 18%.

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

5. TAXATION *(Cont'd)*

(3) Income tax *(Cont'd)*

In accordance with Guo Shui Han [2009]33, effective from 1 January 2008, the Company calculate and file income tax centrally at company level according to relevant tax laws and regulations. The relevant regulations about the taxation places of the plants and branches of the Company are no longer in force. The income tax rate (taking into account the tax holiday) and tax holiday of the head office, domestic operating plants, branches and subsidiaries of the Company in the reporting period are summarized as follows:

	Approved File No.	Year 2008	Tax holiday period
Head Office	Guo Shui Han [1997]368	18.0%	None
Huaneng Dalian Power Plant ("Dalian Power Plant")	Guo Shui Han [1994]381	18.0%	None
Dalian Power Plant Phase II	Guo Shui Zhi Shui Han [2004]12 & Guo Shui Da Zhi Shui Han [2005]017	18.0%	None
Huaneng Shang'an Power Plant ("Shang'an Power Plant")	Guo Shui Han [1994]381 & [1999]604	18.0%	None
Shang'an Power Plant Phase II and Phase III	Guo Shui Han [1994]381 & [2000]194	18.0%	None
Huaneng Nantong Power Plant ("Nantong Power Plant")	Guo Shui Han [1994]381	18.0%	None
Nantong Power Plant Phase II	Tong Guo Shui Wai Zi [2005]1	18.0%	None
Huaneng Fuzhou Power Plant ("Fuzhou Power Plant")	Guo Shui Han [1994]381	18.0%	None
Fuzhou Power Plant Phase II	Chang Guo Shui Han [2005]2	18.0%	None
Huaneng Shantou Coal-Fired Power Plant ("Shantou Power Plant")	Shan Guo Shui Zhi Han [2006]004	18.0%	None
Shantou Power Plant Phase II (Note 1)	Shan Guo Shui Zhi Han [2006]014	9.0%	Till 31 December 2010
Huaneng Shanghai Shidongkou II Power Plant ("Shidongkou II Power Plant")	Approved by Shanghai Tax Bureau Shewai Branch	18.0%	None
Huaneng Dandong Power Plant ("Dandong Power Plant") (Note 2)	Dan Guo Shui She Wai [1999]7	—	Till 31 December 2012
Huaneng Nanjing Power Plant ("Nanjing Power Plant")	Ning Guo Shui Wai Zi [1997]039	18.0%	None
Shandong Branch	Guo Shui Han [2001]866	18.0%	None
Huaneng Dezhou Power Plant ("Dezhou Power Plant")	Guo Shui Han [2001]866	18.0%	None
Huaneng Jining Power Plant ("Jining Power Plant")	Guo Shui Han [2002]1063 & Ji Guo Shui Han [2003]1	18.0%	None
Huaneng Changxing Power Plant ("Changxing Power Plant")	Guo Shui Han [2002]1030	18.0%	None
Huaneng Shanghai Shidongkou I Power Plant ("Shidongkou I Power Plant")	Hu Guo Shui Ba Shui [2003]31	18.0%	None
Huaneng Xindian Power Plant ("Xindian Power Plant")	Lin Guo Shui Han [2004]123	18.0%	None
Huaneng Yingkou Power Plant ("Yingkou Power Plant") (Note 3)	Approved by New Economic Technology Development Zone Branch of Yingkou State Tax Bureau	9.0%	Till 31 December 2009

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

5. TAXATION *(Cont'd)*

(3) Income tax *(Cont'd)*

	Approved File No.	Year 2008	Tax holiday period
Huaneng Jinggangshan Power Plant ("Jinggangshan Power Plant") (Note 4)	Ji An Shi Guo Shui Zhong Qi Fa [2004]20	9.0%	Till 31 December 2008
Huaneng Weihai Power Limited Liability Company ("Weihai Power Company")	N/A	25.0%	None
Huaneng (Suzhou Industrial Park) Power Generation Co. Ltd. ("Taicang Power Company")	N/A	25.0%	None
Huaneng Taicang Power Co., Ltd. ("Taicang II Power Company")	N/A	25.0%	None
Huaiyin Power Company	N/A	25.0%	None
Huaneng Huaiyin II Power Limited Company ("Huaiyin II Power Company")	N/A	25.0%	None
Huaneng Yushe Power Generation Co., Ltd. ("Yushe Power Company")	N/A	25.0%	None
Huaneng Hunan Yueyang Power Generation Limited Liability Company ("Yueyang Power Company") (Note 5)	Yue Guo Shui Han [2007]166	9.0%	Till 31 December 2010
Huaneng Chongqing Luohuang Power Generation Limited Liability Company ("Luohuang Power Company") (Note 6)	Approved by Chongqing State Tax Bureau Shewai Branch & Yu Guo Shui Zhi Jian [2008]5	15.0%	Till 31 December 2010
Luohuang Power Company Phase III (Note 6)	Yu Guo Shui Zhi Jian [2007]120 & Cai Shui Zi [2002]56	—	Till 31 December 2012
Huaneng Qinbei Power Generation Limited Liability Company ("Qinbei Power Company")	N/A	25.0%	None
Huaneng Pingliang Power Generation Limited Liability Company ("Pingliang Power Company")	N/A	25.0%	None
Huaneng Shanghai Combined Cycle Power Limited Liability Company ("Shanghai Combined Cycle Power Company")	N/A	25.0%	None
Huadong Branch	N/A	18.0%	None
Dongbei Branch	N/A	18.0%	None
Huazhong Branch	N/A	18.0%	None
Huaneng Yuhuan Power Plant ("Yuhuan Power Plant ") (Note 7)	Guo Shui Han [2007]201 & Zhe Guo Shui Wai [2007]14	—	Till 31 December 2011
Yuhuan Power Plant Phase II	N/A	18.0%	None
Huaneng Xindian Power Co., Ltd. ("Xindian II Power Company")	N/A	25.0%	None

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

5. TAXATION *(Cont'd)*

(3) Income tax *(Cont'd)*

	Approved File No.	Year 2008	Tax holiday period
Huaneng Shanghai Electricity Repairing Company	Hu Guo Shui Ba Shui [2003]31	18.0%	None
Huaneng Nanjing Jinling Power Company ("Jinling Power Company")	N/A	25.0%	None
Huaneng Power International Fuel Limited Liability Company ("Fuel Company")	N/A	25.0%	None
Huaneng Rizhao Power Plant ("Rizhao Power Plant") (Note 8)	Guo Shui Han [2007]1348	—	Till 31 December 2012
Huaneng Yingkou Port Limited Liability Company ("Yingkou Port")	N/A	25.0%	None

Note 1. In accordance with Shan Guo Shui Zhi Han [2006]014, Shantou Power Plant Phase II enjoy a tax holiday from 1 January 2006 to 31 December 2010 with two-years' tax exemption and three-years' 50% tax rate deduction.

Note 2. Although not profitable in 2008, Dandong Power Plant came to enjoy a tax holiday with two-years' tax exemption and three-years' 50% tax rate deduction from 2008 in accordance with the relevant provisions of the new tax law.

Note 3. As approved by the New Economic Technology Development Zone Branch of Yingkou State Tax Bureau, 2008 was the second year of Yingkou Power Plant enjoying 50% tax rate deduction after two-years' tax exemption.

Note 4. In accordance with Ji An Shi Guo Shui Zhong Qi Fa [2004]20, Jinggangshan Power Plant was entitled to a tax holiday with income tax exempted from 1 July 2004 to 31 December 2005, followed by three-years' 50% tax rate deduction.

Note 5. As approved by Hunan Tax Bureau, Yueyang Power Company enjoyed a tax holiday with two-years' tax exemption and three-years' 50% tax rate deduction since the 4th quarter of 2006 as a foreign investment enterprise.

Note 6. In accordance with Yu Guo Shui Zhi Jian [2008]5, Luohuang Power Company was entitled to a 15% income tax rate from 1 January 2008 to 31 December 2010 according to the West Development Policy.

In accordance with the approval from Tax Bureau Branch directly under Chongqing State Tax Bureau, Luohuang Power Company Phase III was entitled to a tax holiday with two-years' tax exemption and three-years' 50% tax rate deduction since the first profit-making year. 2007 was the first profit-making year and when the exemption of income tax began to apply in 2007.

Note 7. In accordance with the approval from State Tax Bureau of Yuhuan County in 2007, Yuhuan Power Plant Phase I is entitled to a tax holiday with two-years' tax exemption and three-years' 50% tax rate deduction from 1 January 2007 to 31 December 2011.

Note 8. As Rizhao Power Company completed the trial run in 2008 and came to enjoy a tax holiday with two-years' tax exemption and three-years' 50% tax rate deduction, the applicable tax rate is zero in 2008.

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

6. SUBSIDIARIES

(1) Subsidiaries acquired from business combinations under common control

Name of investee	Place of registration	Registered capital, paid-in capital or share capital	Business nature and scope of operations	Percentage of equity interest or percentage of voting right held by the Company		Included in consolidated financial statements
				Direct	Indirect	
Taicang Power Company	Suzhou, Jiangsu Province	RMB632,840,000	Power generation	75%	—	Yes
Qinbei Power Company	Jiyuan, Henan Province	RMB810,000,000	Power generation	60%	—	Yes
Yushe Power Company	Yushe County, Shanxi Province	RMB615,760,000	Power generation	60%	—	Yes
Yueyang Power Company	Yueyang, Hunan Province	RMB1,055,000,000	Power generation	55%	—	Yes
Luohuang Power Company	Chongqing	RMB1,658,310,000	Power generation	60%	—	Yes
Pingliang Power Company	Pingliang, Gansu Province	RMB924,050,000	Power generation	65%	—	Yes
Jinling Power Company	Nanjing, Jiangsu Province	RMB1,302,000,000	Power generation	60%	—	Yes

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

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

6. SUBSIDIARIES *(Cont'd)*

(2) Subsidiaries acquired from business combinations not under common control or acquired through other ways

Name of investee	Place of registration	Registered capital, paid-in capital or share capital	Business nature and scope of operations	Percentage of equity interest or percentage of voting right held by the Company		Included in consolidated financial statements
				Direct	Indirect	
Weihai Power Company	Weihai, Shandong province	RMB761,838,300	Power generation	60%	—	Yes
Taicang II Power Company	Taicang, Jiangsu Province	RMB804,146,700	Power generation	75%	—	Yes
Huaiyin Power Company	Huai'an, Jiangsu Province	RMB265,000,000	Power generation	100%	—	Yes
Huaiyin II Power Company	Huai'an, Jiangsu Province	RMB774,000,000	Power generation	63.64%	—	Yes
Xindian II Power Company	Zibo, Shandong province	RMB100,000,000	Power generation	95%	—	Yes
Shanghai Combined Cycle Power Company	Shanghai	RMB699,700,000	Power generation	70%	—	Yes
Fuel Company	Beijing	RMB200,000,000	Coal wholesale	100%	—	Yes
SinoSing Power	Singapore	USD985,000,100	Investment holding	100%	—	Yes
Huaneng Shanghai Shidongkou Power Generation Limited Liability Company ("Shidongkou Power Company")*	Shanghai	RMB990,000,000	Power generation	50%	—	Yes
Huade County Daditaihong Wind Power Utilization Limited Liability Company ("Daditaihong")	Huade County, Inner Mongolia	RMB5,000,000	Wind Power exploitation and utilization	99%	—	Yes
Huaneng Nantong Power Generation Limited Liability Company ("Nantong Power Company")	Nantong, Jiangsu Province	RMB1,560,000,000	Power generation	70%	—	Yes
Yingkou Port*	Yingkou, Liaoning Province	RMB720,235,000	Loading and conveying services	50%	—	Yes
Tuas Power	Singapore	SGD1,178,050,000	Power generation and related byproducts, derivatives; developing power supply resources and operating electricity	—	100%	Yes

6. SUBSIDIARIES *(Cont'd)*

(2) Subsidiaries acquired from business combinations not under common control or acquired through other ways *(Cont'd)*

Name of investee	Place of registration	Registered capital, paid-in capital or share capital	Business nature and scope of operations	Percentage of equity interest or percentage of voting right held by the Company		Included in consolidated financial statements
				Direct	Indirect	
Tuas Power Supply Pte Ltd. ("TPS")	Singapore	SGD500,000	Power sales	—	100%	Yes
Tuas Power Utilities Pte Ltd. ("TPU")	Singapore	SGD2	Render of utility services	—	100%	Yes
TPGS Green Energy Pte Ltd. ("TPGS")	Singapore	SGD1,000,000	Render of utility services	—	75%	Yes
New Earth Pte Ltd. ("NewEarth")	Singapore	SGD10,111,841	Waste recycling advisory	—	60%	Yes
New Earth Singapore Pte Ltd. ("NewEarth Singapore ")	Singapore	SGD12,516,050	Industrial waste management and recycling	—	75%	Yes

* Pursuant to agreements with other shareholders, the Company has controls over these entities.

For The Year Ended 31 December 2008
(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

		31 December 2008			31 December 2007		
		Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
Cash	– RMB	929,268	1	929,268	527,828	1	527,828
	– SGD	1,815	4.7530	8,624	—	—	—
Sub-total				937,892			527,828
Bank deposits	– RMB	4,437,216,727	1	4,437,216,727	7,374,295,988	1	7,374,295,988
	– USD	22,940,901	6.8346	156,761,766	21,621,508	7.3046	157,936,468
	– Japanese yen	81,134,919	0.0757	6,104,591	331	0.0641	21
	– SGD	245,077,327	4.7530	1,164,852,534	—	—	—
Sub-total				5,764,935,618			7,532,232,477
Total cash				5,765,873,510			7,532,760,305

Please refer to Note 7(39) for the balances and changes of cash and cash equivalents stated in the cash flow statements.

Please refer to Note 11(6) for cash deposits in a related party.

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

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

(2) Derivative financial assets and liabilities

	31 December 2008	31 December 2007
Derivative financial assets		
– Hedging instrument of cash flow hedge (fuel contract)	(17,008,429)	—
– Hedging instrument of cash flow hedge (exchange forward contract)	1,767,465	—
– Financial instrument at fair value through profit or loss (fuel contract)	30,720,348	—
Total	15,479,384	—
Derivative financial liabilities		
– Hedging instrument of cash flow hedge (fuel contract)	540,518,755	—
– Hedging instrument of cash flow hedge (exchange forward contract)	12,379,336	—
– Financial instrument at fair value through profit or loss (fuel contract)	6,785,573	—
Total	559,683,664	—

An oversea subsidiary of the Company uses forward exchange contracts to hedge its foreign exchange risk arising from highly probable forecast purchase transactions. The subsidiary also uses fuel swap contracts to hedge its fuel price risk arising from highly probable forecast fuel purchases.

The fair value of the exchange forward contracts and fuel swap contracts was measured based on market price.

(3) Notes receivable

	31 December 2008	31 December 2007
Banking notes receivable	585,255,246	1,147,053,239
Commercial notes receivable	81,000,000	527,880,000
	666,255,246	1,674,933,239

As at 31 December 2008, the balance of notes discounted by the Company and its subsidiaries that are yet to mature amounted to RMB884,956,687 (31 December 2007: RMB302,700,123) (Note 7(14)). As at 31 December 2008, among the above-mentioned discounted-but-not-mature notes, RMB500,000,000 (31 December 2007: Nil) arised from intragroup transactions between the Company and its subsidiaries and was discounted by the notes taker to the bank. The balance referred above was fully eliminated when preparing the consolidated financial statements of the Company and its subsidiaries.

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

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

(4) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2007	Current year additions	Current year deductions	Currency translation difference	31 December 2008
Accounts receivable	6,445,737,545				7,285,679,336
Less: provision for doubtful accounts	(244,353,139)	(26,296,345)	112,507,114	707,423	(157,434,947)
	6,201,384,406				7,128,244,389

The ageing analysis of accounts receivable and provision for doubtful accounts is as follows:

	31 December 2008			31 December 2007		
Ageing	Amount	Percentage	Provision for doubtful accounts	Amount	Percentage	Provision for doubtful accounts
Within 1 year	7,153,670,748	98%	(25,588,922)	6,063,893,333	94%	—
1-2 years	—	—	—	3,014,422	—	—
2-3 years	11,828	—	—	—	—	—
Over 3 years*	131,996,760	2%	(131,846,025)	378,829,790	6%	(244,353,139)
	7,285,679,336	100%	(157,434,947)	6,445,737,545	100%	(244,353,139)

* As at 31 December 2007, the major portion of accounts receivables aging over 3 years but not fully provided was the accounts receivable of the subsidiaries due from local grid company and other local customers. In September 2008, one of the subsidiaries collected its overdue accounts receivable from local grid company. As at 31 December 2008, the accounts receivable aging over 3 years was that of one subsidiary due from local customers. The subsidiary has provided for this receivable based on the operating and financial situation of local customers.

As at 31 December 2008, accounts receivable (within one month and no provision) of the Company and its subsidiaries approximately RMB505 million (2007: Nil) was secured to a bank as collateral against a short-term loan of RMB500 million (2007: Nil) (Note 7(14)).

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

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

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

(a) Accounts receivable (Cont'd)

As at 31 December 2008, the individually significant (over 10% of accounts receivable balance) accounts receivable of the Company and its subsidiaries amounted to RMB2,346,034,442 (31 December 2007: RMB2,600,482,514), representing 32.20% (31 December 2007: 40.34%) of the total accounts receivable. There was no bad debt provision made on these accounts receivable based on the assessment as at 31 December 2008 (31 December 2007: Nil).

As at 31 December 2008, there was no accounts receivable from shareholders who held 5% or more of the equity interest in the Company (31 December 2007: Nil).

As at 31 December 2008, the five largest accounts receivable of the Company and its subsidiaries amounted to RMB3,322,989,749 (31 December 2007: RMB 3,633,240,944), which aged within 1 year and represented 45.61% (31 December 2007: 56.37%) of the total accounts receivable.

Accounts receivable balances by currency are as follows:

	31 December 2008			31 December 2007		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	6,269,148,130	1	6,269,148,130	6,445,737,545	1	6,445,737,545
SGD	213,491,448	4.7530	1,014,724,850	—	—	—
USD	265,952	6.8346	1,806,356	—	—	—
Total			7,285,679,336			6,445,737,545

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

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

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

(b) Other receivables

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Other receivables	312,330,931			450,314,272
Less: provision for doubtful accounts	(30,573,093)	—	4,240,426	(26,332,667)
	281,757,838			423,981,605

The ageing analysis of other receivables and bad debt provision is as follows:

	31 December 2008			31 December 2007		
Ageing	Amount	Percentage	Provision for doubtful accounts	Amount	Percentage	Provision for doubtful accounts
Within 1 year	348,865,210	77%	(601,227)	168,231,795	54%	(597,447)
1-2 years	16,632,677	4%	—	70,828,544	23%	(239,657)
2-3 years	16,794,289	4%	(231,257)	4,318,332	1%	(21,604)
Over 3 years	68,022,096	15%	(25,500,183)	68,952,260	22%	(29,714,385)
	450,314,272	100%	(26,332,667)	312,330,931	100%	(30,573,093)

As at 31 December 2008, the individually significant (over 10% of other receivables balance) other receivables of the Company and its subsidiaries amounted to RMB98,070,655 (31 December 2007: RMB53,352,577), representing 21.78% (31 December 2007: 17.08%) of the total other receivables. There was no bad debt provision made on these other receivables based on the assessment as at 31 December 2008 (31 December 2007: Nil).

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

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

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

(b) Other receivables (Cont'd)

The details of other receivables are as follows:

	31 December 2008	31 December 2007
Receivable from Jiangsu Power Grid Company for the construction of transmission facilities	142,577	53,352,577
Receivable from Administration Center of Housing Fund for sales of staff quarters	30,432,403	27,556,094
Staff advances	11,421,296	8,755,632
Prepayments to constructions and projects	133,731,766	6,916,832
Receivable from China Taiyuan Coal Trading Centre	30,000,000	30,000,000
Receivables from fuel sales to customers	15,724,800	—
Others	228,861,430	185,749,796
	450,314,272	312,330,931

As at 31 December 2008, the five largest other receivables of the Company and its subsidiaries amounted to RMB180,347,831 (31 December 2007: RMB141,357,954), representing 40.05% (31 December 2007: 45.26%) of total other receivables.

There was no other receivable from shareholders who held 5% or more of the equity interest in the Company (31 December 2007: Nil).

Other receivables balances by currency are as follows:

	31 December 2008			31 December 2007		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	449,118,156	1	449,118,156	312,330,931	1	312,330,931
SGD	251,655	4.7530	1,196,116	—	—	—
Total			450,314,272			312,330,931

Please refer to Note 11 for related party balances.

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

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

(5) Advances to suppliers

	31 December 2008	31 December 2007
Prepayments for coal	280,696,078	395,373,557
Prepayments for materials and spare parts	26,798,344	33,815,124
Prepayments for equipment	132,899,502	21,039,544
Prepayments to contractors	9,874,035	2,684,134
Others	208,869,163	84,257,346
	659,137,122	537,169,705

The ageing analysis of advances to suppliers is as follows:

	31 December 2008		31 December 2007	
Ageing	Amount	Percentage	Amount	Percentage
Within 1 year	635,962,813	97%	510,389,346	95%
1-2 years	4,272,616	1%	9,137,656	2%
2-3 years	2,742,446	—	1,269,922	—
Over 3 years	16,159,247	2%	16,372,781	3%
	659,137,122	100%	537,169,705	100%

As at 31 December 2008, there were no advances to shareholders who held 5% or more of the equity interest in the Company (31 December 2007: Nil).

Advances to suppliers balances by currency are as follows:

	31 December 2008			31 December 2007		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	638,376,527	1	638,376,527	537,169,705	1	537,169,705
SGD	1,758,800	4.7530	8,359,575	—	—	—
USD	42,268	6.8346	287,088	—	—	—
Japanese yen	159,868,167	0.0757	12,028,479	—	—	—
AUD	18,327	4.7135	85,453	—	—	—
Total			659,137,122			537,169,705

Please refer to Note 11 for related party balances.

For The Year Ended 31 December 2008
(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)*

(6) Inventories

	31 December 2007	Additions from acquisition	Current year additions	Current year deductions	Currency translation difference	31 December 2008
Fuel for power generation (coal and oil)	1,324,225,868	638,700,279	45,606,781,486	(43,538,750,510)	(44,512,299)	3,986,444,824
Materials and spare parts	1,028,346,983	227,289,683	2,332,976,134	(2,241,732,408)	(14,794,137)	1,332,086,255
	2,352,572,851	865,989,962	47,939,757,620	(45,780,482,918)	(59,306,436)	5,318,531,079
Less: provision for inventory -spare parts	(33,282,357)	(119,629,503)	(4,325,723)	778,731	7,774,934	(148,683,918)
	2,319,290,494	746,360,459	47,935,431,897	(45,779,704,187)	(51,531,502)	5,169,847,161

(7) Available-for-sale financial assets

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Available-for-sale equity instrument	3,346,559,685	—	(2,084,516,910)	1,262,042,775

Available-for-sale financial assets represent the equity investment in China Yangtze Power Co. Ltd.("Yangtze Power"). As at 31 December 2008, the Company had approximately 171.71 million shares of Yangtze Power, representing 1.82% (31 December 2007: approximately 171.71 million shares, 1.82%) of its total share capital. The stock trading of Yangtze Power has been suspended due to a major assets restructure since 8 May 2008. The fair value per share was calculated as approximately RMB7.35 (2007: RMB19.49) by making reference to the market price of similar financial assets.

(8) Long-term equity investments

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Associates (a)	8,392,443,510	611,485,317	(523,908,405)	8,480,020,422
Other long-term equity investments	123,515,133	146,375,000	—	269,890,133
Less: impairment provision for long-term equity investments	(4,908,243)	—	—	(4,908,243)
	8,511,050,400	757,860,317	(523,908,405)	8,745,002,312

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

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

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

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

(a) Associates

Name of investee	Place of registration	Registered capital	Business nature and scope of operations	Percentage of equity interest or percentage of voting right held by the Company	
				Direct	Indirect
Associates:					
Shandong Rizhao Power Company Ltd. ("Rizhao Power Company")*	Rizhao, Shandong Province	RMB1,245,587,900	Power generation	44%	—
Shenzhen Energy Group Co., Ltd. ("SEG")	Shenzhen, Guangdong Province	RMB955,555,556	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")	Handan, Hebei Province	RMB1,975,000,000	Power generation	40%	—
Chongqing Huaneng Lime Company Limited ("Lime Company")	Chongqing	RMB50,000,000	Lime production and sale of construction materials and bio-chemical products	—	25%
China Huaneng Finance Corporation Ltd. ("Huaneng Finance")	Beijing	RMB2,000,000,000	Provision of deposits services, loans and finance lease arrangement; notes receivable and discounting; and entrusted loans and investments for membership entities within Huaneng Group	20%	—
Huaneng Sichuan Hydropower Co., Ltd. ("Sichuan Hydropower Company")	Chengdu, Sichuan Province	RMB800,000,000	Development, investment, construction, operation and management of hydropower	49%	—
Shenzhen Energy Corporation ("SEC")*	Shenzhen, Guangdong Province	RMB2,202,495,332	Energy and investment in related industries	9.08%	—
Yangquan Coal Industry Group Huaneng Coal-fired Electricity Investment Co., Ltd ("Yangmei Huaneng Company")**	Taiyuan , Shanxi Province	RMB1,000,000,000	Development, investment, consulting, service and management of coal and power generation projects	49%	—

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

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

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

(a) Associates (Cont'd)

Total net assets of the associates above as at 31 December 2008 are RMB27,050,422,801 while total operating revenue and total profit attributable to equity holders of the associates above for the year ended 31 December 2008 amounted to RMB7,937,524,015 and RMB424,216,237, respectively.

* In June 2008, the Company entered into an agreement with Rizhao Economic Development General Company under which the Company agreed to acquire 10% equity interest of Rizhao Power Company with a consideration of RMB135 million. The acquisition became effective at the end of July 2008 after the satisfaction of all the necessary conditions, the payments of the purchase considerations and the transfer of relevant equity.

** In July 2008, the Company entered into an agreement with Yangquan Coal Industry Group to jointly founded "Yangmei Huaneng Company". The Company holds 49% of its equity interest.

	Percentage of equity interest held		Cost of investment				Accumulated equity movement				Carrying amount	
	31 December 2007	31 December 2008	31 December 2007	Current year additions	Current year deductions	31 December 2008	31 December 2007	Current year additions	Current year deductions*	31 December 2008	31 December 2007	31 December 2008
Rizhao Power Company	34%	44%	426,948,218	134,554,043	—	561,502,261	16,320,817	—	(162,426,292)	(146,105,475)	443,269,035	415,396,786
SEG	25%	25%	2,269,785,209	—	—	2,269,785,209	1,055,134,365	162,000,000	(125,000,000)	1,092,134,365	3,324,919,574	3,361,919,574
Hanfeng Power Company	40%	40%	1,382,210,557	—	—	1,382,210,557	(94,884,449)	—	(115,308,911)	(210,193,360)	1,287,326,108	1,172,017,197
Lime Company	25%	25%	24,295,710	—	—	24,295,710	2,599,144	1,851,825	(1,004,200)	3,446,769	26,894,854	27,742,479
Huaneng Finance	20%	20%	440,634,130	—	—	440,634,130	129,862,985	40,688,253	(47,916,000)	122,635,238	570,497,115	563,269,368
Sichuan Hydropower Company	49%	49%	1,221,257,497	—	—	1,221,257,497	(1,720,673)	42,581,547	(253,002)	40,607,872	1,219,536,824	1,261,865,369
SEC	9.08%	9.08%	1,520,000,000	200,000	(72,000,000)	1,448,200,000	—	82,609,649	—	82,609,649	1,520,000,000	1,530,809,649
Yangmei Huaneng Company	N/A	49%	—	147,000,000	—	147,000,000	—	—	—	—	—	147,000,000
			7,285,131,321	281,754,043	(72,000,000)	7,494,885,364	1,107,312,189	329,731,274	(451,908,405)	985,135,058	8,392,443,510	8,480,020,422

Note: The current year deductions include cash dividends amounting to RMB330,793,227 received from associates of the Company and its subsidiaries (2007: RMB478,506,817).

For The Year Ended 31 December 2008
(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)*

(9) Fixed assets and accumulated depreciation

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

	Ports facilities	Buildings	Electric utility plant in service	Transportation facilities	Others	Total
Cost						
31 December 2007	—	2,297,979,338	121,487,381,104	279,266,662	2,849,411,549	126,914,038,653
Reclassification	—	(22,317,732)	(10,542,122)	—	32,859,854	—
Transfers from construction-in-progress	—	41,537,673	15,346,257,599	—	112,804,783	15,500,600,055
Additions from acquisition	—	—	12,925,513,872	—	83,655,583	13,009,169,455
Other additions in current year	1,315,393,029	29,210,709	185,227,968	—	201,613,028	1,731,444,734
Current year deductions	—	(6,542,918)	(460,614,077)	—	(128,348,543)	(595,505,538)
Currency translation difference	—	—	(833,057,630)	—	(5,395,140)	(838,452,770)
31 December 2008	1,315,393,029	2,339,867,070	148,640,166,714	279,266,662	3,146,601,114	155,721,294,589
Accumulated depreciation						
31 December 2007	—	723,306,008	48,227,555,413	190,372,707	1,710,303,126	50,851,537,254
Reclassification	—	(10,792,104)	21,719,196	—	(10,927,092)	—
Additions from acquisition	—	—	3,004,639,570	—	71,195,853	3,075,835,423
Current year depreciation	—	90,004,514	7,201,548,167	11,626,504	238,323,838	7,541,503,023
Current year deductions	—	(2,443,822)	(388,369,521)	—	(125,883,804)	(516,697,147)
Currency translation difference	—	—	(202,497,826)	—	(4,571,845)	(207,069,671)
31 December 2008	—	800,074,596	57,864,594,999	201,999,211	1,878,440,076	60,745,108,882
Impairment provision						
31 December 2007	—	—	—	—	—	—
Additions from acquisition	—	—	3,937,195,216	—	—	3,937,195,216
Currency translation difference	—	—	(252,639,729)	—	—	(252,639,729)
31 December 2008	—	—	3,684,555,487	—	—	3,684,555,487
Net book value						
31 December 2008	1,315,393,029	1,539,792,474	87,091,016,228	77,267,451	1,268,161,038	91,291,630,220
31 December 2007	—	1,574,673,330	73,259,825,691	88,893,955	1,139,108,423	76,062,501,399

As at 31 December 2008, the net book value of fully depreciated or impaired property and equipment that remains in use amounted to approximately RMB373 million (cost of approximately RMB10.784 billion) (31 December 2007: net book value of approximately RMB223 million, cost of approximately RMB5.444 billion).

For the year ended 31 December 2008, depreciation charged to operations cost and general and administrative expenses amounted to RMB7,486,728,953 and RMB45,363,509 (2007: RMB7,092,744,082 and RMB14,204,422), respectively.

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

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

(10) Construction materials

	31 December 2008	31 December 2007
Specialised materials and equipment	816,761,736	1,249,784,368
Prepayments for major equipment	10,672,192,685	2,785,026,235
Tools and spare parts	3,110,187	44,899,258
	11,492,064,608	4,079,709,861

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

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

(11) Construction-in-progress

Project	Budget	31 December 2007	Additions from acquisition	Current year additions	Transfers to fixed assets during current year	Currency translation difference	31 December 2008	Percentage of capital expenditure incurred over budget	Source of financing
Yuhuan Power Plant Phase I project	8,102,152,800	96,998,582	—	99,906,585	(112,741,215)	—	84,163,952	99.92%	Funds borrowed from financial institutions and internal funds
Yuhuan Power Plant Phase II project	7,443,610,000	105,797,868	—	814,946,681	(2,802,637)	—	917,941,912	87.95%	Funds borrowed from financial institutions and internal funds
Qinbei Power Company Phase II project	3,997,930,000	3,291,378,499	—	225,257,024	(3,489,213,087)	—	27,422,436	98.06%	Funds borrowed from financial institutions and internal funds
Rizhao Power Plant project	4,055,158,304	870,967,097	—	2,601,996,739	(3,467,948,680)	—	5,015,156	85.71%	Funds borrowed from financial institutions and internal funds
Shang'an Power Plant Phase III project	4,552,830,000	1,375,521,080	—	2,606,841,071	(3,981,670,605)	—	691,546	87.45%	Funds borrowed from financial institutions and internal funds
Huaneng Haimen Power Plant project	9,210,310,000	1,321,288,204	—	3,782,612,120	—	—	5,103,900,324	55.42%	Funds borrowed from financial institutions and internal funds
Jinling Power Company project	7,584,950,000	391,516,930	—	1,098,429,872	—	—	1,489,946,802	45.52%	Funds borrowed from financial institutions and internal funds
Jinggangshan Power Plant Phase II project	4,356,350,000	13,749,355	—	510,933,195	—	—	524,682,550	12.04%	Funds borrowed from financial institutions and internal funds
Other projects		1,336,254,982	80,441,938	8,523,530,372	(4,446,223,831)	(6,976,389)	5,487,027,072		Funds borrowed from financial institutions and internal funds
		8,803,472,597	80,441,938	20,264,453,659	(15,500,600,055)	(6,976,389)	13,640,791,750		
Including: capitalized borrowing cost		344,580,289	—	997,887,297	(564,007,764)	—	778,459,822		

For the year ended 31 December 2008, interest expense capitalized for construction-in-progress of the Company and its subsidiaries amounted to RMB997,887,297 with capitalization rate of 6.21% per annum (2007: RMB636,834,775 with capitalization rate of 5.31% per annum).

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

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

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

As at 31 December 2008 and 31 December 2007, there was no indication that the construction-in-progress of the Company and its subsidiaries was impaired, and thus, no provision for impairment loss was made.

(12) Intangible assets

	Original cost	31 December 2007	Additions from acquisition	Current year additions	Currency translation difference	Current year amortization	Accumulated amortization	31 December 2008	Remaining amortization period	Acquisition method
Land use rights	3,647,216,800	2,103,251,078	847,130,417	125,162,224	(53,684,505)	(69,966,072)	(695,323,658)	2,951,893,142	12-65.5 years	Purchase and acquisition
Power generation licence	4,073,277,800	—	4,073,277,800	—	(261,371,800)	—	—	3,811,906,000	Not amortized	Acquisition
Others	293,327,410	218,420,078	24,766,179	32,692,794	(1,527,425)	(19,607,314)	(38,583,098)	254,744,312	1-49.92 years	Purchase and acquisition
Less: Impairment provision-Land use rights		—	(232,581,684)	—	14,924,171	—	—	(217,657,513)		
		2,321,671,156	4,712,592,712	157,855,018	(301,659,559)	(89,573,386)	(733,906,756)	6,800,885,941		

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

(12) Intangible assets *(Cont'd)*

As at 31 December 2008 and 31 December 2007, no intangible assets of the Company and its subsidiaries were used for pledge or guarantee.

The Company acquired the power generation licence as part of the business combination with Tuas Power. As the power generation licence is expected to be renewed without significant restriction and cost, with the consideration of related future cash flows generated and the expected continuous operations of management, such a power generation licence is considered to have indefinite useful life.

Impairment test of power generation licence

Power generation licence belongs to the single assets group-Tuas Power. The recoverable amount of the assets group is determined based on value-in-use calculation. These calculations use pre-tax cash flow projections based on management's financial budget over a six-year period as Tuas Power expects to complete a repowering project by mid-2013 and a steady cashflows will be achieved in 2014. A growth rate of 4% is assumed in the forecast model beyond the six-year period, which does not exceed the long-term growth rate of Singapore power demand. Pre-tax discount rates used for value-in-use calculation are between 7.6% and 8.1%.

Key assumptions used for value-in-use calculation:

Key assumptions applied in the impairment test include the expected revenue, electricity demand in Singapore, gas price, purchase costs of electricity and staff cost. Management determined these key assumptions based on past performance and its expectations on market development. The discount rates used are pre-tax and reflect specific risks relating to the assets group. Management believes that any reasonably possible change in any of these key assumptions on which recoverable amount of the assets group is based may cause carrying amount of the assets group to exceed its recoverable amount.

Based on the assessments, no impairment was provided for power generation licence.

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

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

(13) Goodwill

	31 December 2007	Additions from acquisition	Current year additions	Currency translation difference	31 December 2008
Goodwill	129,441,347	11,396,584,990	—	(725,148,065)	10,800,878,272
Less: impairment provision (a)	—	—	(127,913,041)	—	(127,913,041)
	129,441,347	11,396,584,990	(127,913,041)	(725,148,065)	10,672,965,231

As at 31 December 2008, goodwill of the Company and its subsidiaries was primarily from the acquisitions of subsidiaries under business combinations not under common control.

(a) Impairment

Goodwill is allocated to the assets group or group of assets groups of the Company and its subsidiaries identified according to their operations in different regions.

The carrying amounts of significant portion of goodwill allocated to individual assets group or group of assets groups are as follows:

	2008	2007
Huaiyin Power Company	—	127,913,041
Tuas Power	10,663,878,671	—

The recoverable amount of assets group or group of assets groups is determined based on value-in-use calculations. For domestic assets group or group of assets groups, these calculations use pre-tax cash flow projections based on management's financial budgets covering a five-year period. The Company expects cash flows beyond the five-year period will be similar to that of the fifth year based on existing production capacity. In connection to the goodwill arising from acquisition of Tuas Power, management uses pre-tax cash flow projections based on their financial budget covering a six-year period as Tuas Power expects to complete a repowering project by mid-2013 and a steady cashflows will be achieved in 2014. A growth rate of 4% is assumed in the forecast model beyond the six-year period, which does not exceed long-term growth rate of Singapore power demand.

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

(13) Goodwill *(Cont'd)*

(a) Impairment (Cont'd)

Pre-tax discount rates used for value-in-use calculations:

Huaiyin Power Company	9.9%
Tuas Power	7.6%-8.1%

Key assumptions used for value-in-use calculations:

Key assumptions applied in the impairment tests include the expected tariff rates, demands of electricity in specific regions where these power plants are located and fuel cost. Management determined these key assumptions based on past performance and its expectations on market development. The discount rates used are pre-tax and reflect specific risks relating to individual assets group or group of assets groups. Management believes that any reasonably possible change in any of these key assumptions on which recoverable amounts of individual assets group or group of assets groups are based may cause carrying amounts of individual assets group or group of assets groups to exceed their recoverable amounts.

Based on the assessments, except for the goodwill arising from acquisition of Huaiyin Power Company, no goodwill was impaired. The management expects to shut down generators of Huaiyin Power Company in the future, full impairment of related goodwill was provided based on the result of impairment test.

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

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

(14) Short-term loans

		31 December 2008			31 December 2007		
		Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
Credit loans	– RMB	16,683,000,000	1	16,683,000,000	10,367,700,000	1	10,367,700,000
Guaranteed loans(a)							
– Pledge	– RMB	500,000,000	1	500,000,000	—	—	—
– Pledge	– SGD	2,246,482,429	4.7530	10,677,530,983	—	—	—
– Discounted notes	– RMB	884,956,687	1	884,956,687	302,700,123	1	302,700,123
– Guarantee	– RMB	—	—	—	1,000,000,000	1	1,000,000,000
Total				28,745,487,670			11,670,400,123

(a) As at 31 December 2008, the guaranteed short-term loans include:

Bank loans of RMB884,956,687 (31 December 2007: RMB302,700,123) represented the discounted notes receivable with recourse. As these notes receivable were yet to mature, the proceeds received were recorded as short-term loans (see Note 7(3)).

Pledged bank loans of RMB10,677,530,983 (31 December 2007: Nil) were pledged by the share of a subsidiary of the Company. Pledged bank loan of RMB500,000,000 (31 December 2007: Nil) was secured by accounts receivable of the Company with book value amounting to RMB 504,697,201(31 December 2007: Nil) (see Note 7(4)).

As at 31 December 2008, the Company and its subsidiaries have no short-term loans guaranteed by other parties (31 December 2007: short-term loans of RMB1,000 million were guaranteed by the headquarter of China Citic Bank Co., Ltd., with annual interest rate of 4.78%).

As at 31 December 2008, short-term loans of RMB1,290,000,000 were borrowed from Huaneng Finance, with annual interest rates ranging from 4.78% to 7.47% in 2008 (31 December 2007: RMB2,291,500,000 with annual interest rates ranging from 4.20% to 6.56% in 2007) (see Note 11(5)).

In 2008, annual interest rates of credit RMB loans ranged from 4.54% to 7.47% (2007: 4.35% to 6.72%); annual interest rates of discounted notes loans ranged from 2.28% to 7.92% (2007: 3.00% to 10.20%); annual interest rate of pledged short-term RMB loans was 4.54% and annual interest rates of pledged short-term SGD loans ranged from 1.84% to 2.25% (2007: N/A).

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

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

(15) Notes payable

As at 31 December 2008, all the notes payable of the Company and its subsidiaries were commercial acceptance notes (31 December 2007: all the notes payable of the Company and its subsidiaries were banking notes).

(16) Accounts payable

Accounts payable mainly represents the amounts due to coal suppliers. As at 31 December 2008 and 31 December 2007, 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 1 year.

Accounts payable balances by currency are as follows:

	31 December 2008			31 December 2007		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	2,008,885,281	1	2,008,885,281	2,017,227,031	1	2,017,227,031
SGD	65,457,706	4.7530	311,120,475	—	—	—
USD	94,495,713	6.8346	649,453,725	—	—	—
Japanese yen	372,297,011	0.0757	28,312,443	—	—	—
GBP	13,500	9.8798	133,977	—	—	—
Total			2,997,905,901			2,017,227,031

Please refer to Note 11 for related party balances.

For The Year Ended 31 December 2008
(Prepared in accordance with PRC Accounting Standards)
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7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(17) Salary and welfare payable

	31 December 2007	Additions from acquisition	Current year additions	Current year deductions	Currency translation difference	31 December 2008
Salary, bonus, allowance and subsidy	29,114,429	10,110,611	2,162,846,543	(2,152,901,344)	(942,345)	48,227,894
Welfare, award and welfare fund	70,763,830	—	282,842,106	(289,310,698)	—	64,295,238
Social insurance	21,848,801	4,841,431	541,091,226	(558,320,109)	(243,219)	9,218,130
Including: medical insurance	11,845,394	—	182,627,564	(190,749,155)	—	3,723,803
basic pension insurance	7,466,174	—	310,482,136	(315,979,279)	—	1,969,031
unemployment insurance	1,539,563	—	23,474,299	(24,467,382)	—	546,480
industrial injury insurance	89,738	—	10,525,233	(10,610,825)	—	4,146
childbirth insurance	444,864	—	5,956,896	(5,954,315)	—	447,445
Singapore central provident funds	—	4,537,322	6,040,498	(8,526,991)	(224,256)	1,826,573
Housing fund	27,307,775	—	269,357,766	(269,357,375)	—	27,308,166
Labor union fee and employee education fee	12,425,855	—	75,438,203	(72,837,074)	—	15,026,984
Termination benefits	51,942,463	—	9,421,230	(13,204,045)	—	48,159,648
	213,403,153	14,952,042	3,340,997,074	(3,355,930,645)	(1,185,564)	212,236,060

(18) Taxes payable

The detailed breakdown of taxes payable is as follows:

	31 December 2008	31 December 2007
EIT payable	21,357,282	211,418,391
VAT payable	280,921,813	631,046,025
Others	118,185,294	112,869,638
	420,464,389	955,334,054

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

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

(19) Dividends payable

	31 December 2008	31 December 2007
Fujian Investment Enterprises Holdings Company	36,000,000	—
Gemeng International Co., Ltd.	20,733,907	—
Jiangsu Electricity	—	12,150,000
	56,733,907	12,150,000

(20) Other payables

The breakdown of other payables is as follows:

	31 December 2008	31 December 2007
Payables to contractors	1,950,082,803	2,041,495,491
Payables for purchases of equipment	2,157,954,176	2,346,633,154
Retention monies	444,926,688	339,518,080
Payables for purchases of materials	117,199,062	152,362,858
Payables to HIPDC	101,607,822	80,140,485
Payables to Huaneng Group	189,963	189,963
Accruals of various expenses	78,208,487	33,036,499
Bonus payables for construction	72,316,818	115,172,502
Payables of housing maintenance funds	37,596,563	44,567,548
Payables of pollutants discharge fees	19,963,310	24,381,151
Payables to Yingkou harbor bureau	720,235,242	—
Others	654,113,097	524,918,804
	6,354,394,031	5,702,416,535

As at 31 December 2008, there were no other payables due to shareholders who held 5% or more of the equity interest in the Company except for payables due to HIPDC of RMB101,607,822 and payables due to Huaneng Group of RMB189,963 (31 December 2007: due to HIPDC of RMB80,140,485, due to Huaneng Group of RMB189,963) mentioned above.

As at 31 December 2008, other payables aged over 1 year amounting to approximately RMB612.44 million (31 December 2007: RMB483.54 million) mainly comprised of payables to contractors and retention monies which have not been settled for construction cost disputation.

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

(20) Other payables *(Cont'd)*

Other payables balances by currency are as follows:

	31 December 2008			31 December 2007		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	6,131,439,710	1	6,131,439,710	5,702,416,535	1	5,702,416,535
SGD	26,608,324	4.7530	126,469,365	—	—	—
USD	295,874	6.8346	2,033,497	—	—	—
Japanese yen	1,241,997,938	0.0757	94,451,459	—	—	—
Total			6,354,394,031			5,702,416,535

Please refer to Note 11 for related party balances.

(21) Other current liabilities

Other current liabilities are mainly short-term bonds payable. The Company issued RMB5 billion of unsecured short-term bonds with coupon rate of 4.83% per annum on 25 July 2008. These bonds are denominated in RMB, issued at par and will mature in 365 days from their issue date using the effective annual interest rate of approximately 5.25%. As at 31 December 2008, interest payable on the above-mentioned bonds amounted to approximately RMB107.33 million.

The Company issued RMB5 billion of unsecured short-term bonds with coupon rate of 3.84% per annum on 9 August 2007. These bonds are denominated in RMB, issued at par and will mature in 364 days from their issue date using the effective annual interest rate of approximately 4.26%. As at 31 December 2008, the above-mentioned bonds were repaid on time with no interest payable outstanding (31 December 2007: approximately RMB76.80 million).

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

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

(22) Long-term loans

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

	31 December 2008	31 December 2007
Long-term loans from ultimate parent company (a)	2,800,000,000	2,800,000,000
Long-term bank loans (b)	62,509,065,564	34,731,729,921
Other long-term loans (c)	263,535,882	126,432,665
	65,572,601,446	37,658,162,586
Less: current portion of long-term loans	(6,545,420,739)	(4,219,515,105)
	59,027,180,707	33,438,647,481

(a) Long-term loans from ultimate parent company

As at 31 December 2008, detailed information of the long-term loans from ultimate parent company is as follows:

Lender	31 December 2008	Terms of loan	Annual interest rate	Current portion	Terms
RMB loans					
Entrusted loans from Huaneng Group through Huaneng Finance*	600,000,000	2004-2013	4.60%	—	Credit
Entrusted loans from Huaneng Group through Huaneng Finance*	200,000,000	2004-2013	4.32%-5.67%	—	Credit
Entrusted loans from Huaneng Group through Huaneng Finance*	2,000,000,000	2005-2015	5.02%	—	Credit
	2,800,000,000			—	

* The repayment period has not commenced on 31 December 2008 and will not commence in the year thereafter, thus, there was no current portion.

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

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

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

(b) Long-term bank loans

The breakdown of long-term bank loans (including the current portion) is as follows:

	31 December 2008					
	Original currency amount	Exchange rate	RMB equivalent	Less: current portion	Long-term portion	Annual interest rate
Credit loans						
– RMB loans	47,012,930,000	1	47,012,930,000	(5,657,660,000)	41,355,270,000	3.60%-7.74%
– US dollar loans	781,977,008	6.8346	5,344,500,055	(8,423,645)	5,336,076,410	2.89%-6.97%
– Euro loans	55,624,237	9.6590	537,274,503	(51,405,899)	485,868,604	2.00%
Guaranteed loans*						
– RMB loans	3,100,000,000	1	3,100,000,000	(100,000,000)	3,000,000,000	6.03%-7.05%
– US dollar loans	851,788,482	6.8346	5,821,633,556	(690,391,862)	5,131,241,694	2.61%-6.60%
– Singapore dollar loans	145,745,308	4.7530	692,727,450	—	692,727,450	2.41%-2.74%
			62,509,065,564	(6,507,881,406)	56,001,184,158	

* Bank loans amounting to approximately RMB1.464 billion and RMB1.006 billion (31 December 2007: approximately RMB2.042 billion and RMB1.336 billion) were guaranteed by HIPDC and Huaneng Group, respectively (see Note 11).

As at 31 December 2008, bank loans borrowed by an oversea subsidiary of the Company amounting to RMB4.045 billion (31 December 2007: Nil) were guaranteed by the Company (see Note 12).

(c) Other long-term loans

The breakdown of other long-term loans (including the current portion) is as follows:

	31 December 2008		
	Original currency amount	Exchange rate	RMB equivalent
RMB loans	130,000,000	1	130,000,000
US dollar loans	7,142,857	6.8346	48,818,570
Singapore dollar loans	8,350,000	4.7530	39,687,550
Japanese yen loans	595,238,096	0.0757	45,029,762
			263,535,882
Less: current portion of other long-term loans			(37,539,333)
			225,996,549

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

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

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

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

As at 31 December 2008, the breakdown of other long-term loans is as follows:

Lender	31 December 2008	Terms of Loan	Annual interest rate	Current portion	Terms
RMB loan					
Huaneng Finance	130,000,000	2008-2011	5.10%	—	Credit loan
US dollar loan					
On-lent foreign loan of the Ministry of Finance	48,818,570	1996-2011	3.24%-5.87%	(19,527,430)	Guaranteed by Huaneng Group
Singapore dollar loan	39,687,550	2006-2021	4.25%	—	Credit loan
Japanese yen loan					
On-lent foreign loan of the Ministry of Finance	45,029,762	1996-2011	1.31%-5.80%	(18,011,903)	Guaranteed by Huaneng Group
	263,535,882			(37,539,333)	

As at 31 December 2008, for details of other loans of the Company and its subsidiaries borrowed from Huaneng Finance, please refer to Note 11.

Maturity analysis of long-term loans is as follows:

	31 December 2008	31 December 2007
1-2 years	14,765,894,062	9,697,515,105
2-5 years	23,099,611,320	15,013,137,925
Over 5 years	21,161,675,325	8,727,994,451
	59,027,180,707	33,438,647,481

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

(23) Bonds payable

The Company issued bonds with maturity of 5 years, 7 years and 10 years in December 2007. The face value of such bonds is RMB1 billion, RMB1.7 billion and RMB3.3 billion with annual interest rates of 5.67%, 5.75% and 5.90%, respectively. The actual proceeds received by the Company were approximately RMB5.885 billion. The Company issued bonds with maturity of 10 years in May 2008. The face value of such bonds is RMB4 billion with annual interest rate of 5.20%. The actual proceeds received by the Company were approximately RMB3.933 billion.

The bonds mentioned-above are denominated in RMB and issued at par. Interest is payable annually using the effective annual interest rates of approximately 6.13%, 6.10%, 6.17% and 5.42%, respectively, while principals are paid when the bonds fall due. As at 31 December 2008, interest payable for the bonds mentioned above amounted to approximately RMB140.983 million (31 December 2007: approximately RMB6.789 million).

Please refer to Note 11 for details of long-term bonds of the Company that guaranteed by HIPDC.

(24) Deferred income tax assets and liabilities

The gross amount of deferred income tax assets and deferred income tax liabilities is as follows:

(a) Deferred income tax assets

	31 December 2008		31 December 2007	
	Amount	Deductible temporary difference	Amount	Deductible temporary difference
Provision for assets impairment	33,921,374	193,507,767	45,529,918	354,925,767
Fixed assets depreciation	28,772,932	121,958,531	26,053,399	106,851,557
Accrued expenses	13,241,669	63,411,490	8,120,746	41,541,014
Tax refund on purchase of domestically- manufactured equipment	111,259,382	485,515,743	126,741,825	—
Deductible tax losses	336,785,320	1,381,828,245	—	—
Fair value change	102,265,030	568,139,055	—	—
Others	105,544,394	470,802,556	51,204,259	250,704,530
	731,790,101	3,285,163,387	257,650,147	754,022,868

As at December 31 2008, deductible tax loss of the Company and its subsidiaries where deferred income tax assets were not recognized amounted to RMB2,922,448,760 (31 December 2007: RMB315,561,642). Among the unrecognized deductible tax loss, RMB8,501,580 (31 December 2007: RMB12,969,710) will mature before the end of 2009, and RMB69,804,147 (31 December 2007: RMB30,252,221) will mature before the end of 2010.

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

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

(24) Deferred income tax assets and liabilities *(Cont'd)*

(b) Deferred income tax liabilities

	31 December 2008		31 December 2007	
	Amount	Taxable temporary difference	Amount	Taxable temporary difference
Fixed assets depreciation	461,680,774	2,566,319,782	10,143,096	64,196,808
Intangible assets	750,525,887	4,169,588,262	—	—
Fair value change	87,621,181	350,484,723	608,750,408	2,435,001,633
Others	138,510,267	640,595,333	151,425,360	768,349,996
	1,438,338,109	7,726,988,100	770,318,864	3,267,548,437

The net amount of deferred income tax assets and deferred income tax liabilities are presented net as follows:

	31 December 2008	31 December 2007
The net amount of deferred income tax assets	384,475,177	257,650,147
The net amount of deferred income tax liabilities	1,091,023,185	770,318,864

(25) Other non-current liabilities

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Environmental subsidy	229,581,567	177,850,000	(9,475,296)	397,956,271
VAT refund on purchase of domestically-manufactured equipment	469,716,200	497,612,634	(53,840,560)	913,488,274
Other	47,610,000	35,523,000	(1,581,752)	81,551,248
	746,907,767	710,985,634	(64,897,608)	1,392,995,793

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

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

(26) Share capital

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Tradeable shares (with lock-up limitation)				
State-owned shares	1,055,124,549	—	—	1,055,124,549
State-owned legal person shares	5,174,892,946	—	(108,230,828)	5,066,662,118
Other domestic shares	—	—	—	—
Including: domestic legal person shares	—	—	—	—
Tradeable shares (without lock-up limitation)				
Domestic shares listed in the PRC	2,769,982,505	108,230,828	—	2,878,213,333
Overseas listed shares	3,055,383,440	—	—	3,055,383,440
Sub-total of tradeable shares	12,055,383,440	108,230,828	(108,230,828)	12,055,383,440
Total shares	12,055,383,440	108,230,828	(108,230,828)	12,055,383,440

	31 December 2006	Current year additions	Current year deductions	31 December 2007
Tradeable 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	—	(2,094,649,172)	5,174,892,946
Other domestic shares	25,333,333	—	(25,333,333)	—
Including: domestic legal person shares	25,333,333	—	(25,333,333)	—
Tradeable shares (without lock-up limitation)				
Domestic shares listed in the PRC	650,000,000	2,119,982,505	—	2,769,982,505
Overseas listed shares	3,055,383,440	—	—	3,055,383,440
Sub-total of tradeable shares	12,055,383,440	2,119,982,505	(2,119,982,505)	12,055,383,440
Total shares	12,055,383,440	2,119,982,505	(2,119,982,505)	12,055,383,440

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

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

(27) Capital surplus

Movement of capital surplus is as follows:

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Share premium	8,598,225,319	—	(10,049,806)	8,588,175,513
Other capital surplus –				
Changes in fair value of available-for-sale financial assets	1,667,036,410	520,096,879	(2,080,387,518)	106,745,771
Cash flow hedge	—	583,045,240	(1,059,646,156)	(476,600,916)
Others	435,269,589	16,086,600	(253,002)	451,103,187
Subtotal	2,102,305,999	1,119,228,719	(3,140,286,676)	81,248,042
	10,700,531,318	1,119,228,719	(3,150,336,482)	8,669,423,555

	31 December 2006	Current year additions	Current year deductions	31 December 2007
Share premium	8,939,977,628	94,840,157	(436,592,466)	8,598,225,319
Other capital surplus –				
Changes in fair value of available-for-sale financial assets	998,667,165	1,116,630,576	(448,261,331)	1,667,036,410
Others	340,236,826	95,456,772	(424,009)	435,269,589
Subtotal	1,338,903,991	1,212,087,348	(448,685,340)	2,102,305,999
	10,278,881,619	1,306,927,505	(885,277,806)	10,700,531,318

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

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

(28) Surplus reserves

	31 December 2007	Current year appropriation	Current year additions	31 December 2008
Statutory surplus reserve	6,109,942,374	—	—	6,109,942,374
Discretionary surplus reserve	32,402,689	—	—	32,402,689
	6,142,345,063	—	—	6,142,345,063

	31 December 2006	Current year appropriation	Current year additions	31 December 2007
Statutory surplus reserve	5,480,902,037	599,705,866	29,334,471	6,109,942,374
Discretionary surplus reserve	22,575,684	—	9,827,005	32,402,689
	5,503,477,721	599,705,866	39,161,476	6,142,345,063

According to the Company Law of the PRC, the Company's articles of association and board resolutions, the Company appropriates 10% of each year's net profit to the statutory surplus reserve until such a reserve reaches 50% of the registered share capital when the Company can opt out. Upon the approval from relevant authorities, this reserve can be used to make up any losses incurred or to increase share capital. Except for offsetting against losses, this reserve can not fall below 25% of the registered share capital after being used to increase share capital. For the year ended 31 December 2008, the Company did not appropriate for statutory surplus reserve due to loss-making (2007: 10%, amounting to RMB599,705,866).

Appropriation of discretionary surplus reserve is proposed by the Board of Directors, and approved by the general meeting of shareholders. This reserve can be used to make up any losses incurred or to increase the share capital after obtaining relevant approvals. For the year ended 31 December 2008, no appropriation was made to the discretionary surplus reserve fund (2007: Nil).

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

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

(29) Unappropriated profit

	2008	2007
Undistributed profit brought forward	17,221,419,482	15,228,908,521
Add: net (loss)/profit for the year	(3,701,229,826)	5,997,058,661
Less: appropriations to statutory surplus reserve (Note 7(28))	—	(599,705,866)
dividends payable-prior year cash dividends approved at the general meeting of the shareholders	(3,606,333,876)	(3,375,507,363)
others	—	(29,334,471)
Undistributed profit carried forward	9,913,855,780	17,221,419,482

As at 31 December 2008, the surplus reserve attributable to the Company's subsidiaries included in the undistributed profit amounted to RMB584,341,444 (31 December 2007: RMB567,097,927). The appropriation of subsidiaries' surplus reserve attributable to the Company this year amounted to RMB14,967,819 (2007: RMB77,327,532).

On 13 May 2008, after approval from the annual general meeting of the shareholders, the Company declared 2007 final dividend of RMB0.30 (2006: RMB0.28) per ordinary share, totaling approximately RMB3,606,333,876 (2006: RMB3,375,507,363). For the year ended 31 December 2008, the Company has already paid dividend of approximately RMB3,570,333,876 (For the year ended 31 December 2007: approximately RMB3,375,507,363).

Pursuant to the resolution of the Board of Directors on 31 March 2009, the proposed 2008 profit appropriation plan was made on the basis of a total of 12,055,383,440 ordinary shares outstanding as at 31 December 2008, a cash dividend of RMB1 (including tax) for every 10 existing ordinary shares amounting to RMB1,205,538,344 to be distributed to the shareholders. Such a proposal is subject to the approval of the shareholders at the annual general meeting.

The maximum amount available for distribution to the shareholders is based on the lower of the amounts (i.e. the sum of current year net profit and undistributed profit brought forward from previous year) determined under the Accounting Standards for Business Enterprises and the International Financial Reporting Standards ("IFRS") after current year appropriation to statutory surplus reserve.

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

(30) Minority interests

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

	31 December 2008	31 December 2007
Weihai Power Company	388,744,523	413,633,255
Huaiyin Power Company	—	59,936,183
Huaiyin II Power Company	251,860,843	379,923,457
Taicang Power Company	181,943,875	226,941,201
Taicang II Power Company	180,075,633	235,768,602
Qinbei Power Company	544,607,268	596,968,026
Yushe Power Company	108,457,969	286,047,758
Xindian II Power Company	7,284,371	24,400,213
Yueyang Power Company	482,467,197	523,472,837
Luohuang Power Company	816,630,648	946,278,005
Shanghai Combined Cycle Power Company	249,474,450	226,070,591
Pingliang Power Company	436,268,152	455,983,924
Jinling Power Company	558,644,297	270,640,334
Subsidiaries of SinoSing Power	31,191,066	—
Shidongkou Power Company	495,000,000	—
Nantong Power Company	234,000,000	—
Daditaihong	50,000	—
Yingkou Port	359,522,891	—
	5,326,223,183	4,646,064,386

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

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

(31) Operating revenue and operating cost

	2008		2007	
	Revenue	Cost	Revenue	Cost
Principal operations	67,553,838,223	66,702,249,326	50,310,393,627	40,856,792,034
Other operations	271,298,855	174,050,271	124,220,422	86,273,634
Total	67,825,137,078	66,876,299,597	50,434,614,049	40,943,065,668

The principal operations of the Company and its subsidiaries are power generation and sale.

For the years ended 31 December 2008 and 31 December 2007, the principal operating revenue from the five largest customers of the Company and its subsidiaries amounted to RMB38,414,615,000 and RMB32,347,869,516, representing 56.87% and 64.30% of the total principal operating revenue, respectively.

Details of other operating revenue and cost are as follows:

	2008		2007	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Sales of fuel and steam	108,410,148	105,818,987	44,525,802	36,878,027
Others	162,888,707	68,231,284	79,694,620	49,395,607
	271,298,855	174,050,271	124,220,422	86,273,634

(32) Tax and levies on operations

	2008	2007
City construction tax	55,764,235	84,205,215
Education surcharge	49,520,590	63,060,526
Others	1,100,498	3,839,898
	106,385,323	151,105,639

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

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

(33) Financial expenses, net

	2008	2007
Interest expense	4,064,778,906	2,199,324,757
Interest expense on borrowings	4,029,622,671	2,183,608,041
Interest expense on notes discounts	35,156,235	15,716,716
Less: interest income	(83,521,847)	(54,901,202)
Exchange losses	171,815,361	11,046,122
Less: exchange gains	(581,142,294)	(242,840,753)
Others	52,491,079	26,463,554
	3,624,421,205	1,939,092,478

(34) Assets impairment loss

	2008	2007
Reversal of provision for doubtful accounts on receivables	(39,145,746)	(6,700,143)
Provision for/(Reversal of) inventory obsolescence	3,900,551	(6,824,475)
Fixed assets impairment	—	7,043,793
Impairment of goodwill	127,913,041	—
	92,667,846	(6,480,825)

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

(35) Investment income

	2008	2007
Gains from held-for-trading financial assets	—	187,011,462
Gains from available-for-sale financial assets	50,965,923	567,772,246
Shares of net profit of investees accounted for under equity method	133,772,054	586,233,218
Dividends declared by investees accounted for under cost method	95,136	42,817
	184,833,113	1,341,059,743

(36) Non-operating income and non-operating expenses

(a) Non-operating income

	2008	2007
Gains on fixed assets disposal	16,374,758	248,945,774
Amortization of VAT refund on purchase of domestically manufactured equipment	266,423,528	28,764,403
Others	11,821,228	25,501,156
	294,619,514	303,211,333

(b) Non-operating expenses

	2008	2007
Losses on fixed assets disposal	70,380,795	14,771,760
Others	55,384,579	23,247,021
	125,765,374	38,018,781

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

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

(37) Income tax expense

	2008	2007
Current income tax	48,564,693	1,075,791,410
Deferred income tax	(268,389,225)	(103,527,448)
	(219,824,532)	972,263,962

Reconciliation from income tax expense calculated based on applicable income tax rate and profit before taxation in consolidated income statements to income tax expense is as follows:

	2008	2007
(Loss)/Profit before taxation	(4,433,043,155)	7,389,869,220
Income tax expense calculated based on applicable income tax rate	(850,296,984)	1,276,592,441
Impact of the changes of tax rates on existing deferred income tax balance	(63,556,676)	28,390,332
Non-taxable income	(25,392,582)	(239,553,522)
Non-deductible costs, expenses and losses	135,231,036	81,186,962
Utilization of deductible tax loss not recognized as deferred income tax assets in prior years	—	(46,387,978)
Deductible tax loss not recognized as deferred income tax assets in the current year	463,278,123	38,756,956
Impact of income tax refund due to purchase of domestically-manufactured equipment	120,912,551	(166,721,229)
Income tax expense	(219,824,532)	972,263,962

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

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

(38) (Loss)/Earnings per share

Basic (loss)/earnings per share

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

	2008	2007
Consolidated net (loss)/ profit attributable to shareholders of the Company	(3,701,229,826)	5,997,058,661
Weighted average number of the Company's outstanding ordinary shares	12,055,383,440	12,055,383,440
Basic (loss)/earnings per share	(0.31)	0.50
Including:		
Continuing operation basic (loss)/earnings per share	(0.31)	0.50
Discontinuing operation basic (loss)/earnings per share	—	—

For the year ended 31 December 2008, as there were no potential dilutive ordinary shares, both the basic (loss)/earnings per share and the diluted (loss)/earnings per share were the same.

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

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

(39) Notes to the cash flow statements

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

	2008	2007
Net (loss)/profit	(4,213,218,623)	6,417,605,258
Add: provision/(reversal) for assets impairment	92,667,846	(6,480,825)
depreciation of fixed assets	7,532,092,462	7,106,948,504
amortization of intangible assets	83,184,098	51,879,382
amortization of long-term deferred expenses	31,260,616	10,604,579
losses/(gains) on disposal of fixed assets and intangible assets	54,006,037	(243,254,200)
losses on changes in fair value	54,657,795	100,179,545
financial expenses	3,684,525,671	1,991,018,599
investment income	(184,833,113)	(1,341,059,743)
negative goodwill	—	(5,067,505)
amortization of deferred income	(64,897,608)	(24,998,403)
increase in deferred income tax assets	(126,296,607)	(93,977,635)
decrease in deferred income tax liabilities	(142,092,618)	(9,549,812)
increase in inventories	(2,159,006,558)	(195,236,310)
decrease/(increase) in operating receivable items	726,858,754	(1,767,628,036)
(decrease)/increase in operating payable items	(183,014,597)	230,419,640
Net cash flows generated from operating activities	5,185,893,555	12,221,403,038

(b) Change in cash and cash equivalents

	2008	2007
Cash at end of the year	5,566,625,073	7,312,264,810
Less: cash at beginning of the year	(7,312,264,810)	(3,228,603,526)
Net (decrease) / increase in cash	(1,745,639,737)	4,083,661,284

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

(39) Notes to the cash flow statements *(Cont'd)*

(c) Cash and cash equivalents

	31 December 2008	31 December 2007
Cash –		
Cash on hand	937,892	527,828
Cash in bank	5,764,935,618	7,532,232,477
Less: restricted cash	(199,248,437)	(220,495,495)
Cash and cash equivalents at end of the year	5,566,625,073	7,312,264,810

(d) Other cash paid relating to operating activities

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

	2008	2007
Service fees paid to HIPDC for provision of transmission and transformer facilities	—	140,771,050
Pollutants discharge fees	517,259,483	507,113,328
Other items	323,966,538	984,109,474
	841,226,021	1,631,993,852

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

8. SEGMENT REPORTING

The Company and its subsidiaries use the geographical segment as primary reporting format.

Segment information as at and for the year ended 31 December 2008 is as follows:

	China	Singapore	Total
Operating revenue	57,411,788,776	10,413,348,302	67,825,137,078
Including: Revenue from external customers	57,411,788,776	10,413,348,302	67,825,137,078
Operating expenses	(58,695,794,925)	(9,897,890,624)	(68,593,685,549)
Segment (loss)/profit	(1,284,006,149)	515,457,678	(768,548,471)
Financial expenses			(3,624,421,205)
Loss from changes in fair value			(54,657,795)
Share of profits of associates	133,772,054	—	133,772,054
Other investment income			51,061,059
Add: Unallocated expenses			(339,102,937)
Operating loss			(4,601,897,295)
Segment assets	130,124,283,375	23,824,749,448	153,949,032,823
Investments in associates	8,480,020,422	—	8,480,020,422
Add: Unallocated assets			2,158,606,937
Total assets			164,587,660,182
Segment liabilities	(10,353,922,544)	(1,812,038,219)	(12,165,960,763)
Add: Unallocated liabilities			(110,848,900,979)
Total liabilities			(123,014,861,742)
Depreciation and amortization	7,205,803,381	392,377,871	7,598,181,252
Unallocated depreciation and amortization			17,095,308
Total depreciation and amortization recorded in income statement			7,615,276,560
(Reversal of)/provision for doubtful accounts on receivables	(65,442,090)	26,296,344	(39,145,746)
Provision for inventory obsolescence	234,828	3,665,723	3,900,551
Impairment of goodwill	127,913,041	—	127,913,041
Addition of capital assets	29,302,295,418	22,387,049,432	51,689,344,850
Unallocated addition of capital assets			11,517,577

The Company and its subsidiaries are principally engaged in power business. No business segments are presented.

The Company and its subsidiaries principally operated in the PRC prior to 2008, thus no comparative disclosure for geographical segment is presented above.

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9. BUSINESS COMBINATION NOT UNDER COMMON CONTROL

On 24 March 2008, SinoSing Power acquired 100% equity interest of Tuas Power from Temasek. Net assets and goodwill from this acquisition were as follows:

	In RMB thousand
Consideration paid in cash	21,675,288
Directly incremental costs	88,164
Total cost of combination	21,763,452
Less: fair value of net identifiable assets	(10,374,425)
Goodwill	11,389,027

The goodwill is attributable to leading position and profitability of Tuas Power in its market.

The assets and liabilities and related cash flows of Tuas Power as at the acquisition date are as follows:

	Fair Value	Carrying amount	
	Acquisition date in RMB thousand	Acquisition date in RMB thousand	31 December 2007 in RMB thousand
Cash and cash equivalents	1,619,108	1,619,108	1,433,271
Derivative financial assets	180,595	180,595	290,039
Receivables	1,297,323	1,297,323	1,506,604
Inventories	746,360	746,360	716,148
Fixed assets	5,996,138	5,636,867	5,694,283
Intangible assets	4,712,593	238,524	240,193
Deferred income tax assets	650	650	611
Other non-current assets	243,355	243,355	228,968
Less: loans	(102,592)	(102,592)	(30,311)
derivative financial liabilities	(98,180)	(98,180)	(133,837)
payables	(3,007,452)	(3,007,452)	(3,260,003)
salary and welfare payables	(14,952)	(14,952)	(27,482)
deferred income tax liabilities	(1,163,474)	(293,474)	(284,810)
Net assets	10,409,472	6,446,132	6,373,674
Less: minority interests	(35,047)	(35,047)	(35,949)
Net assets acquired	10,374,425	6,411,085	6,337,725
Consideration paid in cash	21,675,288		
Direct costs relating to acquisition	82,583		
Less: cash and cash equivalents from the subsidiary acquired	(1,619,108)		
Net cash paid for acquiring the subsidiary	20,138,763		

9. BUSINESS COMBINATION NOT UNDER COMMON CONTROL *(Cont'd)*

The operating revenue, net profit and cash flows of Tuas Power for the period from acquisition date to 31 December 2008 were as follows:

	In RMB thousand
Operating revenue	10,413,348
Net profit	548,735
Cash flows from operating activities	1,208,653
Net cash flows	(930,168)

10. NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS

(1) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Accounts receivable	3,688,274,755			3,873,554,492
Less: provision for doubtful accounts	—	—	—	—
	3,688,274,755			3,873,554,492

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

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

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

(a) Accounts receivable (Cont'd)

The ageing analysis of accounts receivable and related provision for doubtful accounts is as follows:

	31 December 2008			31 December 2007		
Ageing	Amount	Percentage	Provision for doubtful accounts	Amount	Percentage	Provision for doubtful accounts
Within 1 year	3,873,554,492	100%	—	3,682,615,336	100%	—
1-2 years	—	—	—	3,014,419	—	—
2-3 years	—	—	—	—	—	—
Over 3 years	—	—	—	2,645,000	—	—
	3,873,554,492	100%	—	3,688,274,755	100%	—

As at 31 December 2008, the individually significant (over 10% of accounts receivable balance) accounts receivable of the Company totaled RMB2,230,747,332 (31 December 2007: RMB2,584,604,465), representing 57.59% (31 December 2007: 70.08%) of total accounts receivable. There was no bad debt provision made on these accounts receivable based on the assessment as at 31 December 2008 (31 December 2007: Nil).

As at 31 December 2008, there were no accounts receivable from shareholders who held 5% or more of the equity interest in the Company (31 December 2007: Nil).

As at 31 December 2008, the five largest accounts receivable of the Company amounting to RMB2,577,761,778 (31 December 2007: RMB2,584,604,465), representing 66.55% (31 December 2007: 70.08%) of total accounts receivable.

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

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

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

(b) Other receivables

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Other receivables	338,071,448			413,375,106
Less: provision for doubtful accounts	(22,087,905)	—	4,180,573	(17,907,332)
	315,983,543			395,467,774

The ageing analysis of other receivables and provision for doubtful accounts are as follows:

	31 December 2008			31 December 2007		
Ageing	Amount	Percentage	Provision for doubtful accounts	Amount	Percentage	Provision for doubtful accounts
Within 1 year	359,151,171	87%	(601,227)	279,593,041	83%	(592,827)
1-2 years	1,087,099	—	—	12,939,998	4%	(239,657)
2-3 years	12,112,569	3%	(231,257)	4,222,112	1%	(21,604)
Over 3 years	41,024,267	10%	(17,074,848)	41,316,297	12%	(21,233,817)
	413,375,106	100%	(17,907,332)	338,071,448	100%	(22,087,905)

As at 31 December 2008, the individually significant (over 10% of other receivables balance) other receivables of the Company amounted to RMB162,029,542 (31 December 2007: RMB137,585,079), representing 39.20% (31 December 2007: 40.70%) of total other receivables. There was no bad debt provision made on these other receivables based on the assessment as at 31 December 2008 (31 December 2007: Nil).

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

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

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

(b) Other receivables (Cont'd)

The details of other receivables are as follows:

	31 December 2008	31 December 2007
Receivables from Administration Center of Housing Fund for sales of staff quarters	17,260,314	14,384,005
Staff advances	5,741,402	4,618,351
Management fees from subsidiaries	31,942,722	30,516,798
Receivables relating to investments	93,000,000	102,000,000
Receivables from subsidiaries for repairs and maintenance services rendered	5,467,800	58,500
Receivables from subsidiaries for fuel and materials	99,029,542	65,585,079
Receivables from subsidiaries for interests	17,865,643	—
Others	143,067,683	120,908,715
	413,375,106	338,071,448

As at 31 December 2008, the five largest other receivables of the Company amounted to RMB228,581,918 (31 December 2007: RMB205,795,838), most of which aged within one year, representing 55.30% (31 December 2007: 60.87%) of total other receivables.

As at 31 December 2008 and 31 December 2007, there were no other receivables from shareholders who held 5% or more of the equity interest in the Company.

Please refer to Note 11 for related party balances.

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

(2) Long-term equity investments

	31 December 2007	Current year additions	Current year deductions	31 December 2008
Subsidiaries (a)	7,942,368,432	9,269,813,867	(25,200,000)	17,186,982,299
Associates	8,365,548,656	609,633,492	(522,904,205)	8,452,277,943
Other long-term equity investments	123,515,133	146,375,000	—	269,890,133
Less: impairment provision for long-term equity investments	(4,908,243)	(208,851,967)	—	(213,760,210)
	16,426,523,978	9,816,970,392	(548,104,205)	25,695,390,165

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

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

(a) Long-term equity investments in subsidiaries

	Percentage of equity interest held 31 December 2007	Percentage of equity interest held 31 December 2008	31 December 2007 Carrying amount of investment	Current year additions	Current year deductions	31 December 2008 Carrying amount of investment	Cost of initial investment	Additional investment	Repayment of investment
Weihai Power Company	60%	60%	474,038,793	60,000,000	—	534,038,793	474,038,793	60,000,000	—
Taicang Power Company	75%	75%	469,706,560	—	—	469,706,560	433,059,517	36,647,043	—
Huaiyin Power Company	90%	100%	693,399,530	67,485,107	—	760,884,637	292,513,951	468,370,686	—
Huaiyin II Power Company	63.64%	63.64%	572,573,600	—	—	572,573,600	76,368,000	496,205,600	—
Yushe Power Company	60%	60%	374,449,895	—	—	374,449,895	134,085,896	240,363,999	—
Qinbei Power Company	60%	60%	865,049,311	112,276,411	—	977,325,722	29,055,599	948,270,123	—
Xindian II Power Company	95%	95%	419,100,000	23,220,000	—	442,320,000	140,100,000	302,220,000	—
Taicang II Power Company	75%	75%	603,110,000	—	—	603,110,000	37,500,000	565,610,000	—
Yueyang Power Company	55%	55%	472,984,838	—	—	472,984,838	200,734,838	272,250,000	—
Luohuang Power Company	60%	60%	1,249,218,249	—	—	1,249,218,249	740,218,249	509,000,000	—
Shanghai Combined Cycle Power Company	70%	70%	480,060,000	9,730,000	—	489,790,000	35,000,000	454,790,000	—
Pingliang Power Company	65%	65%	662,717,154	80,000,000	—	742,717,154	600,675,636	142,041,518	—
Jinling Power Company	60%	60%	405,960,502	432,000,000	(25,200,000)	812,760,502	405,960,502	432,000,000	(25,200,000)
Fuel Company	100%	100%	200,000,000	—	—	200,000,000	200,000,000	—	—
SinoSing Power	N/A	100%	—	7,069,292,849	—	7,069,292,849	7,069,292,849	—	—
Shidongkou Power Company	N/A	50%	—	495,000,000	—	495,000,000	—	495,000,000	—
Daditaihong	N/A	99%	—	14,692,000	—	14,692,000	—	14,692,000	—
Nantong Power Company	N/A	70%	—	546,000,000	—	546,000,000	—	546,000,000	—
Yingkou Port	N/A	50%	—	360,117,500	—	360,117,500	—	360,117,500	—
			7,942,368,432	9,269,813,867	(25,200,000)	17,186,982,299	10,868,603,830	6,343,578,469	(25,200,000)

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

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

(3) Operating revenue and operating cost

	2008		2007	
	Revenue	Cost	Revenue	Cost
Principal operations	36,698,588,792	36,705,323,747	31,296,089,931	25,471,246,679
Other operations	1,127,557,166	1,081,380,098	718,588,572	669,304,532
Total	37,826,145,958	37,786,703,845	32,014,678,503	26,140,551,211

The principal operations of the Company are power generation and sale.

For the years ended 31 December 2008 and 31 December 2007, the principal operating revenue from the five largest customers of the Company amounted to RMB27,320,880,751 and RMB22,670,593,917, representing 74.45%% and 72.44% of the total principal operating revenue, respectively.

Other operating revenue and cost are as follows:

	2008		2007	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Sales of fuel and steam	973,609,273	982,437,642	610,018,012	602,370,236
Others	153,947,893	98,942,456	108,570,560	66,934,296
	1,127,557,166	1,081,380,098	718,588,572	669,304,532

(4) Investment income

	2008	2007
Gains from held-for-trading financial assets	—	187,011,462
Gains from available-for-sale financial assets	50,965,923	567,772,246
Shares of net profit of investees accounted for under the equity method	131,920,229	584,228,533
Dividends declared by investees accounted for under the cost method	651,041,343	972,583,764
	833,927,495	2,311,596,005

11. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

Name of entity	Place of registration	Business nature and scope of operations	Relationship with the Company	Type of enterprise	Legal representative
Huaneng Group	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	Cao Peixi
HIPDC	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	Cao Peixi
Weihai Power Company	Weihai Shandong Province	Power generation	A subsidiary of the Company	Limited liability company	Huang Jian
Taicang Power Company	Suzhou Jiangsu Province	Power generation	A subsidiary of the Company	Limited liability company	Lin Weijie
Taicang II Power Company	Taicang Jiangsu Province	Power generation	A subsidiary of the Company	Limited liability company	Lin Weijie
Huaiyin Power Company	Huai'an Jiangsu Province	Power generation	A subsidiary of the Company	Limited liability company	Lin Weijie
Huaiyin II Power Company	Huai'an Jiangsu Province	Power generation	A subsidiary of the Company	Limited liability company	Lin Weijie
Qinbei Power Company	Jiyuan Henan Province	Power generation	A subsidiary of the Company	Limited liability company	Ye Xiangdong
Yushe Power Company	Yushe County Shanxi Province	Power generation	A subsidiary of the Company	Limited liability company	Lin Gang
Xindian II Power Company	Zibo Shandong Province	Power generation	A subsidiary of the Company	Limited liability company	Huang Jian
Yueyang Power Company	Yueyang Hunan Province	Power generation	A subsidiary of the Company	Limited liability company	Ye Xiangdong

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

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

Name of entity	Place of registration	Business nature and scope of operations	Relationship with the Company	Type of enterprise	Legal representative
Luohuang Power Company	Chongqing	Power generation	A subsidiary of the Company	Limited liability company	Ye Xiangdong
Shanghai Combined Cycle Power Company	Shanghai	Power generation	A subsidiary of the Company	Limited liability company	Wu Dawei
Pingliang Power Company	Pingliang Gansu Province	Power generation	A subsidiary of the Company	Limited liability company	Lin Gang
Jinling Power Company	Nanjing Jiangsu Province	Power generation	A subsidiary of the Company	Limited liability company	Wu Dawei
Fuel Company	Beijing	Coal wholesale	A subsidiary of the Company	Limited liability company	Liu Guoyue
SinoSing Power	Singapore	Investment holding	A subsidiary of the Company	Limited liability company	*
Shidongkou Power Company	Shanghai	Power generation	A subsidiary of the Company	Limited liability company	Li Shuqing
Daditaihong	Huade County Inner Mongolia	Wind Power exploitation and utilization	A subsidiary of the Company	Limited liability company	Lin Weijie
Nantong Power Company	Nantong Jiangsu Province	Power generation	A subsidiary of the Company	Limited liability company	Lin Weijie
Yingkou Port	Yingkou Liaoning Province	Loading and conveying service	A subsidiary of the Company	Limited liability company	Jiang Peng
Tuas Power	Singapore	Power generation and related byproducts, derivatives; developing power supply resources and operating electricity	A second level subsidiary of the Company	Limited liability company	*

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

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

Name of entity	Place of registration	Business nature and scope of operations	Relationship with the Company	Type of enterprise	Legal representative
TPS	Singapore	Power sales	A third level subsidiary of the Company	Limited liability company	*
TPU	Singapore	Render of utility services	A third level subsidiary of the Company	Limited liability company	*
TPGS	Singapore	Render of utility services	A third level subsidiary of the Company	Limited liability company	*
NewEarth	Singapore	Waste recycling advisory	A third level subsidiary of the Company	Limited liability company	*
NewEarth Singapore	Singapore	Industrial waste management and recycling	A forth level subsidiary of the Company	Limited liability company	*

* Companies in Singapore do not have legal representative person.

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

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

(2) Registered capital, Paid-in capital or Share capital of related parties that control/are controlled by the Company and respective changes

Name of entity	Currency	31 December 2007	Current year additions	31 December 2008
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	804,146,700	—	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	1,658,310,000	—	1,658,310,000
Shanghai Combined Cycle Power Company	RMB	685,800,000	13,900,000	699,700,000
Pingliang Power Company	RMB	924,050,000	—	924,050,000
Jinling Power Company	RMB	582,000,000	720,000,000	1,302,000,000
Fuel Company	RMB	200,000,000	—	200,000,000
SinoSing Power	USD	—	985,000,100	985,000,100
Shidongkou Power Company	RMB	—	990,000,000	990,000,000
Daditaihong	RMB	—	5,000,000	5,000,000
Nantong Power Company	RMB	—	1,560,000,000	1,560,000,000
Yingkou Port	RMB	—	720,235,000	720,235,000
Tuas Power	SGD	1,178,050,000	—	1,178,050,000
TPS	SGD	500,000	—	500,000
TPU	SGD	2	—	2
TPGS	SGD	1,000,000	—	1,000,000
NewEarth	SGD	10,111,841	—	10,111,841
NewEarth Singapore	SGD	12,516,050	—	12,516,050

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

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

(3) Shareholding or equity interest held by parties that control /are controlled by the Company and respective changes

Name of entity	31 December 2007		Current year additions		31 December 2008	
	Amount	%	Amount	%	Amount	%
Huaneng Group and its wholly-owned subsidiary *	1,055,124,549	8.75	20,000,000	0.17	1,075,124,549	8.92
HIPDC	5,066,662,118	42.03	—	—	5,066,662,118	42.03

For details of shareholding or equity interest in related parties that are controlled by the Company and respective changes, please refer to Note 10(2).

* The current year addition was due to that Huaneng Group increased its shares in the Company by acquiring the Company's H share through a wholly-owned subsidiary registered in Hong Kong.

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

Name of related parties	Relationship with the Company
Xi'an Thermal Power Research Institute Co., Ltd. ("Xi'an Thermal") and its subsidiaries	A subsidiary of Huaneng Group
Huaneng Energy & Communications Holdings Co., Ltd. ("HEC") and its subsidiaries	A subsidiary of Huaneng Group
Qufushengcheng Heat-Power Company Ltd. ("Qufushengcheng Heat-Power Company")	A subsidiary of Huaneng Group
Huaneng Hulunbeier Energy Development Company Ltd. ("Hulunbeier Energy") *	A subsidiary of Huaneng Group
Rizhao Power Company	An associate of the Company
Huaneng Finance	An associate of the Company
Hanfeng Power Company	An associate of the Company
Lime Company	An associate of the Company's subsidiary

* Zhalainuoer Coal Mining Company Ltd. ("Zhalainuoer Coal") is a subsidiary of Hulunbeier Energy, who manages their transactions with the Company and its subsidiaries. The disclosed name of related parties is changed from Zhalainuoer Coal to Hulunbeier Energy.

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

(5) Related party transactions

(a) HIPDC leases the land use right to Nanjing Power Plant for 50 years from 1 January 1999 at an annual rental payment of RMB1.334 million. For the year ended 31 December 2008, total rental fees of the land use right were RMB1.334 million (2007: RMB1.334 million).

(b) Pursuant to a leasing agreement between the Company and HIPDC, HIPDC leases its office building to the Company from 1 January 2005 for 5 years at an annual rental of RMB26 million. For the year ended 31 December 2008, the rental expense of office building was RMB26 million (2007: RMB26 million).

(c) Please refer to Note 7(22) for details of long-term loans on-lent from Huaneng Group through Huaneng Finance to the Company and its subsidiaries. For the year ended 31 December 2008, total long-term loan interest incurred by the Company and its subsidiaries to Huaneng Group amounted to RMB139,249,303 (2007: RMB137,941,695). The related balances are included in interest payables (see note 11(7)).

(d) For the year ended 31 December 2008, drawdown of short-term loans from Huaneng Finance to the Company and its subsidiaries amounted to RMB1,590 million (2007: RMB2,348 million), and the balances are included in short-term loans (see note7(14)); Drawdown of long-term loans from Huaneng Finance amounted to RMB130 million (2007: Nill), and the balances are included in long-term loans (see note7(22)); The interest rates for such loans have no material difference from the prevailing average market interest rates. For the year ended 31 December 2008, total short-term loan interest incurred by the Company and its subsidiaries to Huaneng Finance amounted to RMB115,180,494 (2007: RMB142,637,319) while long-term loan interest incurred by the Company and its subsidiaries to Huaneng Finance amounted to RMB501,795 (2007: Nil). The related balances are included in interest payables (see note 11(7)).

(e) Please refer to Note 7(22) for details of the long-term bank loans of the Company and its subsidiaries guaranteed by HIPDC and Huaneng Group.

(f) Please refer to Note 12 for details of bank loans of Rizhao Power Company guaranteed by the Company.

(g) In May 2008, the long-term bonds issued by the Company with total face value amounting to RMB4 billion were guaranteed by HIPDC.

(h) On 6 November 2007 and 8 August 2007, the Company entered into management service agreements with Huaneng Group and HIPDC, respectively. Pursuant to which, the Company provides management services to certain power plants owned by Huaneng Group and HIPDC for 3 years. For the year ended 31 December 2008, the total service fees earned from Huaneng Group and HIPDC amounted to RMB39,161,900 (2007: RMB41,785,370) and RMB14,084,200 (2007: RMB3,980,850). For the year ended 31 December 2008, the related costs incurred for the management services rendered amounted to approximately RMB33,523,158 (2007: RMB33,149,164).

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

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

(i) For the year ended 31 December 2008, coal sold by the Company and its subsidiaries to HEC and its subsidiaries amounted to RMB13.92 million (2007: Nil). The related balances are included in other receivables (see note 11(7))*.

(j) For the year ended 31 December 2008, coal purchased by the Company and its subsidiaries from Rizhao Power Company amounted to RMB8.30 million (2007: Nil). The related balances are included in other payables (see note 11(7))*.

(k) For the year ended 31 December 2008, coal and transportation services provided by HEC and its subsidiaries to the Company and its subsidiaries amounted to RMB4,198 million (2007: RMB2,907 million). The related balances are included in accounts payable (see note 11(7))* .

(l) For the year ended 31 December 2008, coal purchased by the Company and its subsidiaries from Hulunbeier Energy amounted to RMB167.15 million (2007: RMB8.56 million). The related balances are included in accounts payable (see note 11(7))*.

(m) For the year ended 31 December 2008, the amount of equipment purchased by the Company and its subsidiaries from HEC and its subsidiaries and service fees amounted to approximately RMB458.01 million (2007: RMB247.76 million). The related balances are included in other payables (see note11(7))* .

(n) For the year ended 31 December 2008, lime products purchased by the Company and its subsidiaries from Lime Company amounted to approximately RMB73.19 million (2007: RMB63.51 million). The related balances are included in accounts payable (see note 11(7))*.

(o) For the year ended 31 December 2008, information and technology supporting services rendered by Xi'an Thermal and its subsidiaries to the Company and its subsidiaries amounted to approximately RMB217 million (2007: RMB144 million). The related balances are included in accounts payable and other payables (see note 11(7))*.

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

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

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

(p) The Company and its subsidiaries generated power on behalf of China Huaneng (Group) Baiyanghe Power Plant ("Baiyanghe Power Plant"), a branch of Huaneng Group and Qufushengcheng Heat-Power Company. The transacting parties changed their settlement method from direct settlement with these related parties by the Company and its subsidiaries in 2007 to payments made to these related parties after receiving settlements from power grid company in 2008. For the year ended 31 December 2008, the Company and its subsidiaries incurred cost of RMB15,161,619 for the arrangement above with Baiyanghe Power Plant (2007: revenue generated by the Company and its subsidiaries from Baiyanghe Power Plant amounted to RMB6,244,526), and the balances are included in accounts payable (see note 11(7)) while no such arrangement with Qufushengcheng Heat-Power Company this year (2007: revenue from Qufushengcheng Heat-Power Company amounted to RMB23,064,744)*.

(q) For the year ended 31 December 2008, the Company and its subsidiaries accrued RMB8.66 million (2007: RMB8.46 million) as the pre-tax compensation for key management personnel.

(r) Please refer to Note 1 for details of the acquisition from Huaneng Group 100% equity interests in Sinosing Power.

* The amounts of related party transactions above are exclusive of VAT.

(6) Cash deposits in a related party

	31 December 2008	31 December 2007
Deposits in Huaneng Finance		
–current deposits	3,539,563,599	4,942,264,384

As at 31 December 2008, the annual interest rates for these current deposits placed with Huaneng Finance ranged from 0.36% to 1.44% (31 December 2007: from 0.72% to 1.53%).

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

(7) Receivables from and payables to related parties

	31 December 2008		31 December 2007	
	Amount	Percentage attributable to related balance	Amount	Percentage attributable to related balance
Prepayments				
Prepayments to Huaneng Group	160,000,000	24.27%	—	—
Prepayments to Xi'an Thermal and its subsidiaries	400,000	0.06%	560,480	0.10%
Prepayments to HEC and its subsidiaries	12,841,904	1.95%	—	—
Other receivables				
Receivables from HEC and its subsidiaries	15,724,800	3.71%	—	—
Construction materials				
Prepayments to HEC and its subsidiaries	152,935,650	1.33%	—	—
Construction-in-progress				
Prepayments to Xi'an Thermal and its subsidiaries	2,796,480	0.02%	—	—
Accounts payable				
Payables to Lime Company	(7,375,291)	0.25%	(8,169,658)	0.40%
Payables to Xi'an Thermal and its subsidiaries	(3,684,075)	0.12%	(4,239,601)	0.21%
Payables to HEC and its subsidiaries	(34,281,430)	1.14%	(261,207,610)	12.95%
Payables to other subsidiaries of Huaneng Group	(49,631,744)	1.66%	(3,278,000)	0.16%
Interest payables				
Interest payables on loans from Huaneng Finance	(4,334,328)	1.02%	(4,712,876)	2.60%
Interest payables on loans from Huaneng Group	(2,315,333)	0.55%	(2,894,072)	1.60%

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

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

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

	31 December 2008		31 December 2007	
	Amount	Percentage attributable to related balance	Amount	Percentage attributable to related balance
Other payables				
Payables to HIPDC	(101,607,822)	1.60%	(80,140,485)	1.41%
Payables to Huaneng Group	(189,963)	—	(189,963)	—
Payables to Rizhao Power Company	(9,374,258)	0.15%	(42,882)	—
Payables to Hanfeng Power Company	—	—	(41,482)	—
Payables to other subsidiaries of Huaneng Group	(842,088)	0.01%	—	—
Payables to Xi'an Thermal and its subsidiaries	(39,659,017)	0.62%	(28,043,212)	0.49%
Payables to HEC and its subsidiaries	(4,763,479)	0.07%	(6,353,796)	0.11%

The receivables and payables with related parties above were unsecured, not guaranteed and non-interest bearing.

In addition, please refer to Notes 7(14) and (22) for loans borrowed from related parties.

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

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

(a) For the year ended 31 December 2008, the Company earned service fees amounting to RMB43,436,923 (2007: RMB43,211,761) from its subsidiaries. The related balances are included in other receivables (see note11(8)(k)).

(b) For the year ended 31 December 2008, the Company earned revenue amounting to RMB7,409,231 (2007: RMB13,008,834) from its subsidiaries through substituted power generation*.

(c) For the year ended 31 December 2008, the Company earned revenue amounting to RMB971,937,636 (2007: RMB591,229,847) from sales of fuel and materials to its subsidiaries. The related balances are included in other receivables (see note11(8)(k))*.

(d) For the year ended 31 December 2008, the Company earned revenue amounting to RMB1,686,589 (2007: RMB2,336,898) from sales of heat to its subsidiaries*.

(e) For the year ended 31 December 2008, the Company earned revenue amounting to RMB17,100,000 (2007: RMB16,500,000) from rendering repairs and maintenance services to its subsidiaries. The related balances are included in other receivables (see note11(8)(k))*.

(f) For the year ended 31 December 2008, the Company earned interest income amounting to RMB24,876,131 (2007: Nil) from providing entrusted loans to its subsidiaries. The related balances are included in interest receivables (see note11(8)(k)).

(g) For the year ended 31 December 2008, the Company earned interest income amounting to RMB9,300,000 (2007: Nil) from providing working capital to its subsidiaries. The related balances are included in other receivables (see note11(8)(k)).

(h) For the year ended 31 December 2008, the Company earned revenue amounting to RMB46,257 (2007: Nil) from granting land use rights to its subsidiaries.

(i) For the year ended 31 December 2008, the Company paid amounting to RMB3,732,683,531 (2007: Nil) for purchasing fuels from its subsidiaries. The related balances are included in prepayments, notes payables and accounts payables (see note11(8)(k))*.

(j) Please refer to Note 12 for details of bank loans of Sinosing Power guaranteed by the Company.

* The amounts of related party transactions above are exclusive of VAT.

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

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

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

(k) Receivables from and payables to subsidiaries of the Company

	31 December 2008		31 December 2007	
	Amount	Percentage attributable to related balance	Amount	Percentage attributable to related balance
Prepayments				
Prepayments to Fuel Company	370,531,298	55.96%	—	—
Interest receivables				
Receivables from Weihai Power Company	863,500	13.77%	—	—
Receivables from Taicang II Power Company	1,141,250	18.20%	—	—
Receivables from Daditaihong	68,200	1.09%	—	—
Receivables from Shidongkou Power Company	2,216,500	35.34%	—	—
Dividend receivables				
Receivables from Yushe Power Company	31,100,861	53.07%	—	—
Receivables from Yueyang Power Company	27,500,000	46.93%	—	—
Other receivables				
Receivables from Weihai Power Company	6,228,451	1.57%	2,615,304	0.83%
Receivables from Yueyang Power Company	11,164,094	2.82%	13,803,327	4.37%
Receivables from Luohuang Power Company	14,550,177	3.68%	14,098,167	4.46%
Receivables from Taicang Power Company	68,421,000	17.30%	—	—
Receivables from Shanghai Combined Cycle Power Company	46,800	0.01%	58,500	0.02%
Receivables from Xindian II Power Company	99,029,542	25.04%	65,585,079	20.76%
Receivables from Jinling Power Company	—	—	72,000,000	22.79%
Receivables from Shidongkou Power Company	17,865,643	4.52%	—	—

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

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

(k) Receivables from and payables to subsidiaries of the Company *(Cont'd)*

	31 December 2008		31 December 2007	
	Amount	Percentage attributable to related balance	Amount	Percentage attributable to related balance
Entrusted loans*				
Entrusted loans to Weihai Power Company	400,000,000	16.39%	—	—
Entrusted loans to Taicang II Power Company	500,000,000	20.49%	—	—
Entrusted loans to Daditaihong	40,000,000	1.64%	—	—
Entrusted loans to Shidongkou Power Company	1,500,000,000	61.48%	—	—
Notes payables				
Notes payables to Fuel Company	(500,000,000)	100.00%	—	—
Accounts payables				
Payables to Fuel Company	(87,807,559)	6.62%	—	—
Other payables				
Payables to Shanghai Combined Cycle Power Company	(400,000)	0.01%	(570,482)	0.02%
Payables to Huaiyin Power Company	(14,500)	—	(7,000)	—
Payables to Qinbei Power Company	(14,500)	—	(32,000)	—
Payables to Yushe Power Company	—	—	(17,882)	—
Payables to Xindian II Power Company	—	—	(140,000)	—
Payables to Taicang Power Company	(14,500)	—	(2,400)	—
Payables to Pinliang Power Company	—	—	(25,000)	—
Payables to Jinling Power Company	(417,200)	0.01%	—	—

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

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

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

(k) Receivables from and payables to subsidiaries of the Company *(Cont'd)*

* As at 31 December 2008, the Company provided unsecured short-term loans amounting to RMB2.44 billion (31 December 2007: Nil) with maturity of 1 year to its subsidiaries through Huaneng Finance. The annual interest rates ranged from 5.58% to 7.47%. For the year ended 31 December 2008, the interest income of these short-term loans amounted to RMB24.88 million (2007: Nil). The related balances are included in interest receivables.

The transactions and balances among the Company and its subsidiaries referred above were fully eliminated when preparing the consolidated financial statements of the Company and its subsidiaries.

12. CONTINGENT LIABILITY

Item	31 December 2008 The Company and its subsidiaries	The Company
Guarantees on the long-term bank loans of Rizhao Power Company	43,562,500	43,562,500
Guarantees on the long-term bank loans of SinoSing Power Company	—	4,044,581,074
	43,562,500	4,088,143,574

Guarantees on the long-term bank loans above had no significant financial impact on the operations of the Company.

13. COMMITMENTS

Commitments mainly relate to the construction of new power projects and renovation projects. Expenditure on construction projects and purchase of coal which were contracted but not provided for as at 31 December 2008 amounted to approximately RMB23.799 billion (31 December 2007: RMB18.564 billion).

From 2004 to 2007, the Company entered into various long-term agreements with its coal suppliers for the purchase of coal used for power generation from the year 2005 to 2009. These agreements are subject to termination only under certain limited circumstances. In most cases, these agreements contain provisions for price escalation and minimum purchase level clauses. The future purchase commitments under the agreements above are as follows:

	31 December 2008
2009	7,893,329,290

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

13. COMMITMENTS *(Cont'd)*

The Company entered into various operating lease arrangements for land and buildings. Total non-cancellable future minimum lease payments for these operating leases are as follows:

	31 December 2008	31 December 2007
Land and buildings		
Within 1 year	31,707,485	29,253,383
1-2 years	3,253,383	3,253,383
2-3 years	3,253,383	3,253,383
After 3 years	111,138,373	114,391,756
	149,352,624	150,151,905

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 amounted to approximately RMB30 million 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.

Jinling Power Company entered into a Gas Purchase Agreement with PetroChina Company Limited ("PTR") on 29 December 2004, pursuant to which Jinling Power Company purchases gas from PTR from the date on which it commenced commercial operations to 31 December 2023. According to the agreement, Jinling Power Company is required to pay to PTR at a minimum annual price equivalent to 486.9 million standard cubic meter of gas from 2008 to the end of gas supply period, which amounted to approximately RMB694 million based on current market price as at 31 December 2008. The purchase price is negotiated annually between the contracting parties based on the latest ruling set out by the National Development and Reform Commission.

As at 31 December 2008, Sinosing Power has the following purchase commitments with subsidiaries of Temasek:

(i) Purchase of 17.6 billion British Thermal Unit ("BBtu") of natural gas per day from Gas Supply Pte Ltd. during the plateau period up to 31 December 2014 with possible decrease in gas purchase volume thereafter. The agreement will be terminated on or before 2023 subject to the termination provisions within the agreement. As at 31 December 2008, the unit contract price was RMB101,949 per BBtu.

(ii) Purchase of 157.5 BBtu of natural gas per day from SembCorp Gas Pte Ltd. during the plateau period up to 31 December 2013 with possible decrease in gas purchase volume thereafter. The agreement will be terminated on or before 2023 subject to the termination provisions within the agreement. As at 31 December 2008, the unit contract price was RMB97,060 per BBtu.

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

14. EVENT AFTER THE BALANCE SHEET DATE

The Company and its subsidiaries issued RMB5 billion of unsecured short-term bonds at their face values bearing coupon rate of 1.88% per annum on 24 February 2009. These bonds will mature in 365 days.

15. NET (LOSS)/PROFIT AFTER DEDUCTING NON-RECURRING ITEMS

	2008	2007 (Restated)
Net (loss)/profit	(4,213,218,623)	6,417,605,258
Add: Pre-tax loss/(gain) on disposals of non-current assets	54,006,037	(770,620,474)
Loss/(Gain) from changes in fair value of derivative financial instruments	54,657,795	(87,132,001)
The provision for assets impairment due to force majeure factors, such as natural disasters	92,545,394	—
Reversal of provision for doubtful accounts receivable individually tested for impairments	(65,442,090)	(6,114,095)
Less: Other pre-tax non-operating income/expenses, net	(222,860,176)	(21,938,351)
Income tax impact on non-recurring items above	(10,154,674)	120,365,747
Net profit of subsidiaries acquired from business combination under common control from the beginning of earliest period presented to the acquisition date	—	(94,600,836)
Net (loss)/profit after deducting non-recurring items	(4,310,466,337)	5,557,565,248
Including:		
Attributable to Shareholders of the Company	(3,723,798,194)	5,207,254,431
Attributable to Minority interests	(586,668,143)	350,310,817

Basis of preparing breakdown of non-recurring items

In accordance with "Interpretation on Information Disclosures of Listed Companies No.1 - Non-recurring Items [2008]", non-recurring items refer to those transactions or events which do not directly relate to business operations or those which relate to business operations but will distort the appropriate judgment made by the user of financial statements on the operating performance and profitability of the Company due to their special and non-recurring nature.

IMPACT OF ADJUSTMENTS FOR INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") ON NET (LOSS)/PROFIT AND NET ASSETS

The financial statements, which are prepared by the Company and its subsidiaries in conformity with the Accounting Standards for Business Enterprises ("PRC GAAP"), differ in certain respects from that of IFRS. Major impact of adjustments for IFRS, on the net (loss)/profit and net assets of the Company and its subsidiaries, are summarized as follows:

	Net (Loss)/Profit	
	2008 (RMB)	2007 (RMB)
Consolidated net (loss)/profit attributable to shareholders of the Company under PRC GAAP	(3,701,229,826)	5,997,058,661
Impact of IFRS adjustments:		
Effect of reversal of the recorded amounts received in advance of previous years (a)	9,976,989	363,330,716
Amortization of the difference in the recognition of housing benefits of previous years (b)	(36,750,872)	(38,966,944)
Difference on depreciation related to borrowing costs capitalized in previous years (c)	(29,745,249)	(28,522,635)
Differences in accounting treatment on business combinations under common control in previous years (d)	—	(76,736,558)
Difference in depreciation and amortization of assets acquired in business combinations under common control in previous years(d)	(339,800,419)	(287,403,083)
Applicable deferred income tax impact of the GAAP differences above (e)	38,187,331	111,155,578
Others	19,518,518	20,569,720
Profit attributable to minority interests on the adjustments above	102,155,960	100,642,246
(Loss)/Profit attributable to equity holders of the Company under IFRS	(3,937,687,568)	6,161,127,701

IMPACT OF ADJUSTMENTS FOR IFRS ON NET (LOSS)/PROFIT AND NET ASSETS

(Cont'd)

	Net Assets	
	31 December 2008 (RMB)	31 December 2007 (RMB)
Net assets attributable to shareholders of the Company under PRC GAAP	36,246,575,257	46,119,679,303
Impact of IFRS adjustments:		
Effect of recording the amounts received in advance of previous years (a)	(834,468,082)	(844,445,071)
Difference in the recognition of housing benefits to the employees of the Company and its subsidiaries in previous years(b)	(84,558,766)	(47,627,149)
Difference in borrowing costs capitalized in previous years (c)	434,687,758	464,433,007
Differences in accounting treatment on business combinations under common control in previous years (d)	2,890,127,290	2,900,570,801
Difference in depreciation and amortization of assets acquired in business combinations under common control in previous years(d)	(1,375,342,134)	(1,045,985,225)
Applicable deferred income tax impact of the above GAAP differences (e)	116,593,150	68,356,013
Others	(159,882,989)	(181,404,098)
Portion of above adjustments attributable to minority interests	(404,409,779)	(504,997,895)
Net assets attributable to equity holders of the Company under IFRS	36,829,321,705	46,928,579,686

(a) Effect of recording the amounts received in advance of previous years

In accordance with the tariff setting mechanism applicable to certain power plants of the Company in previous years, certain power plants of the Company receive advanced payments in the previous years (calculated at 1% of the original 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 and are recognized as revenue when the repairs and maintenance is performed and the liabilities are extinguished. In accordance with PRC GAAP, when preparing the financial statements, revenue is computed based on actual power sold and the tariff currently set by the State, no such amounts are recorded.

(b) Difference in the recognition of housing benefits to the employees of the Company and its subsidiaries in previous years

The Company and its subsidiaries once provided staff quarters to the employees of the Company and its subsidiaries and sold such staff quarters to the employees of the Company and its subsidiaries at preferential prices set by the local housing reform office. Difference between cost of the staff quarters and proceeds from the employees represented the housing losses, and was borne by the Company and its subsidiaries.

IMPACT OF ADJUSTMENTS FOR IFRS ON NET (LOSS)/PROFIT AND NET ASSETS

(Cont'd)

(b) Difference in the recognition of housing benefits to the employees of the Company and its subsidiaries in previous years *(Cont'd)*

Under Previous Accounting Standards and Accounting System ("Previous 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 in previous years. 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 depreciation on the capitalization of borrowing costs in previous years

In previous years, under Previous PRC GAAP, the scope of capitalization of borrowing costs was limited to specific borrowings, and thus, borrowing costs arising from general borrowings were not capitalized. In accordance with IFRS, the Company and its subsidiaries capitalized borrowing on general borrowing used for the purpose of obtaining qualifying assets in addition to the capitalization of borrowing costs on specific borrowings. From 1 January 2007 onwards, the Company and its subsidiaries adopted PRC GAAP No. 17 prospectively, the current adjustments represent the related depreciation on capitalized borrowing costs included in the cost of related assets under IFRS in previous years.

(d) Differences in accounting treatment on business combinations under common control in previous years

Huaneng Group is the parent company of HIPDC, which in turn is also the ultimate parent of the Company. The Company carried out a series of acquisitions from Huaneng Group and HIPDC in previous years. As the acquired power companies and plants and the Company were under common control of Huaneng Group before and after the acquisitions, such acquisitions are regarded as business combinations under common control.

In accordance with PRC GAAP, under common control business combination, the assets and liabilities acquired in business combinations are measured at the carrying amounts of the acquirees on the acquisition date. The difference between carrying amounts of the net assets acquired and the consideration paid is adjusted to equity account of the acquirer. The transaction costs directly attributable to the business combinations incurred by the acquirer are recorded in the income statements as incurred. The operating results for all periods presented are retrospectively restated as if the current structure and operations resulting from the acquisition had been in existence since the beginning of the earliest year presented, with financial data of previously separate entities consolidated. The cash consideration paid by the Company is treated as an equity transaction in the year of acquisition.

IMPACT OF ADJUSTMENTS FOR IFRS ON NET (LOSS)/PROFIT AND NET ASSETS

(Cont'd)

(d) Differences in accounting treatment on business combinations under common control in previous years *(Cont'd)*

For the business combination occurred prior to 1 January 2007, in accordance with Previous PRC GAAP, when equity interests acquired is less than 100%, the assets and liabilities of the acquirees are measured at their carrying amounts. The excess of consideration over the proportionate share of the carrying amounts of the net assets acquired was recorded as equity investment difference and amortized on a straight-line basis for not more than 10 years. When acquiring the entire equity, the entire assets and liabilities are accounted for in a method similar to purchase accounting. Goodwill arising from such transactions is amortized over the estimated useful lives on a straight-line basis. The transaction costs incurred were recorded in the income statements as incurred. On 1 January 2007, in accordance with PRC GAAP, the unamortized equity investment differences and goodwill arising from business combinations under common control were written off against undistributed profits.

Under IFRS, the Company and its subsidiaries adopted the purchase method to account for the acquisitions above. The assets and liabilities acquired in acquisitions were recorded at fair value by the acquirer. Direct transaction costs incurred by the acquirer were included in the acquisition cost. The excess of acquisition cost over the proportionate share of fair value of net identifiable assets acquired was recorded as goodwill. Goodwill is not amortized but is tested annually for impairment and carried at cost less accumulated impairment losses. The operating results of the acquirees are consolidated in the operating results of the Company and its subsidiaries from the acquisition dates onwards.

As mentioned above, the differences in accounting treatment under PRC GAAP and IFRS on business combinations under common control affect both equity and profit. Meanwhile, due to different measurement basis of the assets acquired, depreciation and amortization in the period subsequent to the acquisition will be affected which will also affect the equity and profit or loss upon subsequent disposals of such investments. Such differences could be gradually eliminated with the depreciation, amortization and disposal of related assets.

(e) Deferred income tax impact on GAAP differences

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