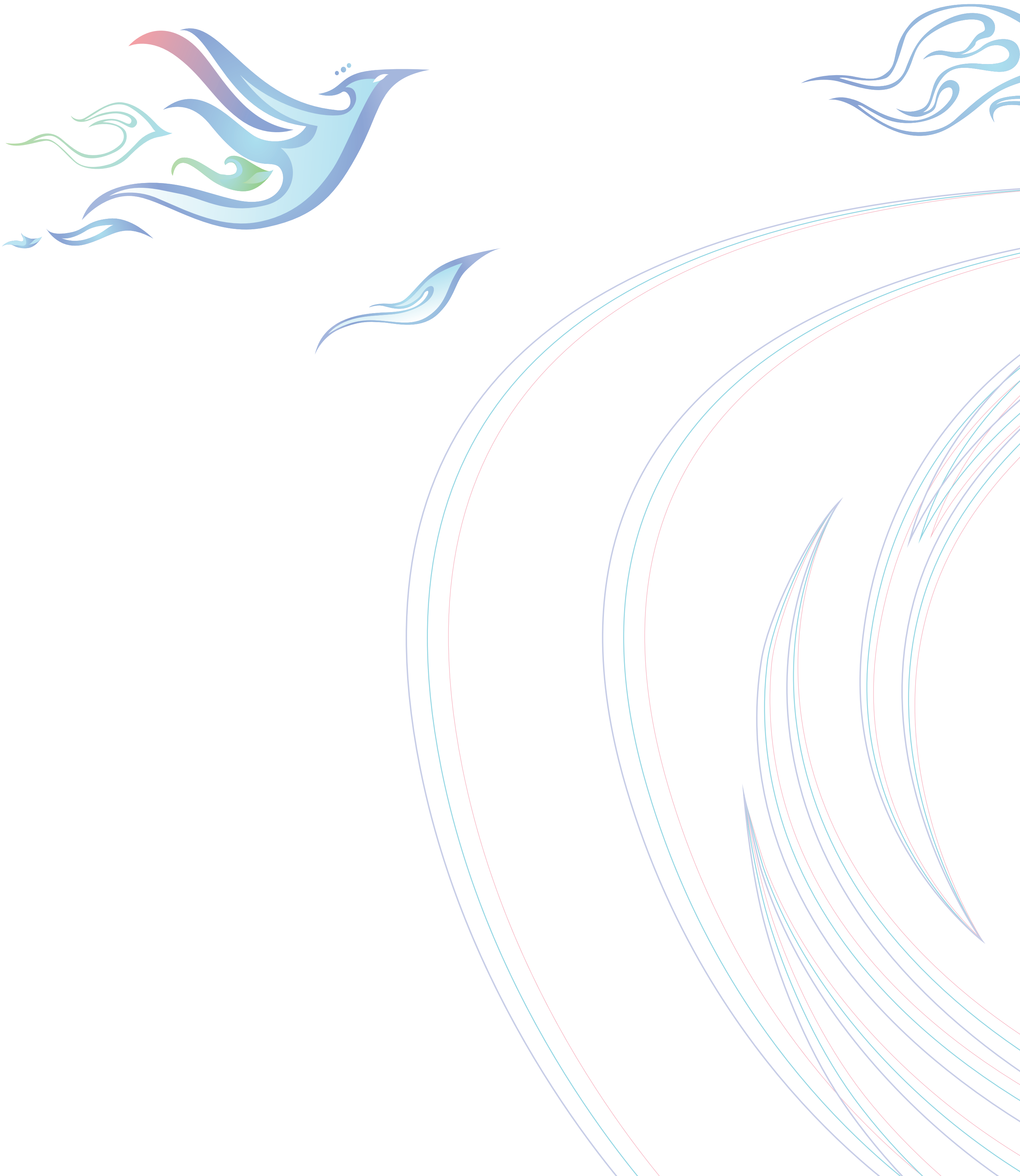
華能國際電力股份有限公司
Huaneng Power International, Inc.

Stock Code：902

Powering Tomorrow

2010 Annual Report



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Leap Forward on
Sound Foundation

Company Profile

Huaneng Power International, Inc. (the "Company", "Huaneng Power" or "Huaneng International") and its subsidiaries are engaged in developing, constructing, operating and managing large-scale power plants throughout China. As at 29 March 2011, the Company is one of China's largest listed power producers with equity-based generation capacity of 50,935 MW and controlling generation capacity of 54,402 MW, and its domestic power plants are located in 18 provinces, municipalities and autonomous regions. The Company also has a wholly-owned power plant in Singapore.

The Company was incorporated on 30 June 1994. It completed its initial global public offering of 1,250,000,000 overseas listed foreign shares ("foreign shares") in October 1994, which were listed on the New York Stock Exchange (NYSE: HNP) by issuing 31,250,000 American Depository Shares. 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. In December 2010, the Company completed the non-public issuance of 1.5 billion ordinary shares in RMB ("A Shares") and 500 million overseas listed ordinary shares ("H Shares"). Currently, the total share capital of the Company amounts to approximately 14.06 billion shares.

The core business of the Company is to develop, construct, and operate large-scale power plants by making use of modern technology and equipment and financial resources available domestically and internationally. As a power generation enterprise, the Company has been insisting on innovations in technologies, structure, management since its incorporation; and on aspects regarding the advancement in power technologies, power plant facilities and mode of management, etc., the Company has been the pioneer and created various milestones within the domestic industry. The Company was the first to introduce a 600 MW supercritical coal-fired generating unit into China while its Huaneng Dalian Power Plant was the first one to be awarded the honor of "First Class Coal-fired Power Plant" in China. The generating unit 1 at Huaneng Yuhuan Power Plant is the first operating single 1,000 MW ultra-supercritical coal-fired generating unit in China, Huaneng Yuhuan Power Plant was the first domestically made 1,000 MW ultra-supercritical coal-fired power plant in China that was put into commercial operation, Huaneng Jinling Power Plant has constructed the first digitalised 1,000 MW domestic ultra-supercritical coal-fired generating unit, and the generating unit 1 at Huaneng Haimen Power Plant was the first 1,000 MW generating unit in the world using sea water desulphurization facilities. The Company was the first power company in China to get listed 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. The Company has acquired equity interests in each of Huaneng Shidaowan Nuclear Power Company Limited and Hainan Nuclear Power Co., Ltd. which marked the entry into the nuclear power generating arena of the Company. At the same time, the Company actively promoted the industry synergy, increased the investment in coal, port and sea transportation and upgraded the capability in the self-supply of coal, the power in port storage, trans-shipment and the sea transportation. The combined synergy in power, coal, port and transportation is basically formulated.

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

The objectives of the Company are: as a power company, devoted to providing sufficient, reliable and eco-friendly energy to the community; as a listed company, devoted to creating long-term, stable and increasing returns for shareholders; and as a first class corporation, devoted to becoming a leading power enterprise in China and an advanced enterprise internationally.

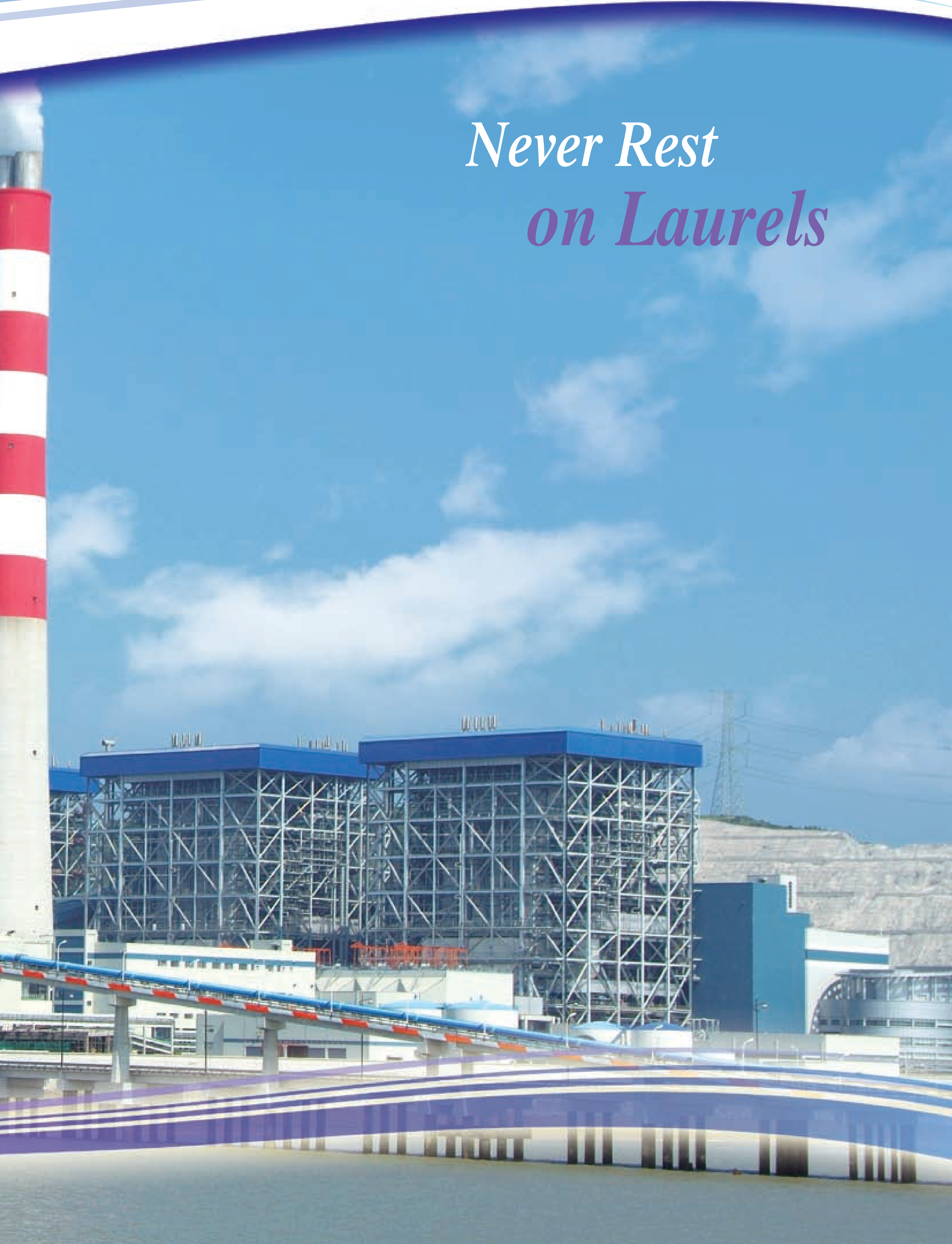
Huaneng International Power Development Corporation ("HIPDC"), the Company's parent company and controlling shareholder, was incorporated as a Sino-foreign joint stock Company in 1985. The Company was incorporated by way of joint promotion by HIPDC and local government investment companies in the regions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

Power Plant on Distribution of Huaneng Power

● The controlled power generation capacity of the Company as at 29 March 2011 (Unit: MW)

Inner Mongolia
49.5
Tianjin
1,200
Hebei
2,549.50
Henan
2,400
Jiangxi
1,920
Beijing
845
Liaoning
4,600
Shandong
6,570
Jiangsu
7,215.50
Shanghai
3,670
Zhejiang
4,000
Fujian
2,000
Guangdong
3,272

Never Rest on Laurels



Major Corporate Events in 2010

January

- The Company announced acquisition of the interest in various companies held by ShanDong Electric Power and Luneng Development, in an aggregate consideration of RMB8.625 billion.
- The Company announced an increase of 10.23% in domestic operation in 2009 over the previous year.
- The Company proposed the non-public issuance of new A Shares and new H Shares.

February

- Unit 5 at Pingliang Power Plant passed the trial operation.
- Unit 2 at Yuwang Power Plant, Diandong Coal-fired Project Phase II passed the trial operation.

March

- The Company announced the annual results for 2009. Under IFRS:

  the Company recorded profit attributable to equity holders of the Company of RMB4.93 billion, an increase of 225.19% compared to the same period of last year.
- Unit 6 at Pingliang Power Plant passed the trial operation.
- The Company completed the issue of the first tranche short-term bonds in 2010 within the domestic inter-bank markets.

April

- The Company announced that domestic power generation in the first quarter of 2010 increased by 40.06% compared to the same period of the previous year.
- The Company announced its first quarterly results for 2010. Under PRC GAAP, the net profit attributable to shareholders of the Company recorded an increase of 40.90% compared to the same period of last year.
- Shanghai sub-branch of the Company signed the Co-operation Agreement on Gas Power Project with CNPC Kunlun Natural Gas Company Limited.

May

- The Company entered into the Strategic Cooperation Framework Agreement with CNOOC Gas and Power Group in Beijing.

- Ten generating units of the Company won awards in the 14th Annual Meeting of the Large-scale Coal-fired Generating Unit (600 MW) Energy Efficiency Benchmarking and Competition of the PRC in Kunming, Yunnan: Unit 2 of Yuhuan Power Plant won the first prize in the 1000 MW Generating Unit Competition, Unit 2 of Shidongkou Power Plant and Unit 2 of the First Power Plant of Diandong Energy Company won the first class award of the 600 MW grade, Unit 2 of Hanfeng Power Plant and Unit 1 of Qinbei Power Plant won the second class award of the 600 MW grade, Unit 1 of Shidongkou Second Power Plant, Units 3 and 4 of the First Power Plant of Diandong Energy Company and Unit 3 of Qinbei Power Plant won the third class award of the 600 MW grade.

- In the "2010 Power Reliability Indicator Press Conference" organized by State Electricity Regulatory Commission and China Electricity Council, Unit 4 of Dalian Power Plant and Unit 1 of Fuzhou Power Plant won the first and second prize respectively in the 2009 National Golden Units in reliability of coal-fired generating units (300 MW).

June

- The Company won the "2009 Golden Bee Enterprise Social Responsibility • PRC List Sustainable Development Award".

July

- The Company announced that domestic power generation in the first half year of 2010 increased by 38.01% compared to the same period of the previous year.

- Unit 5 Huaneng Fuzhou Power Plant passed the trial operation.

August

- Approval obtained on the gas co-generation expansion project of Huaneng Beijing Co-generation Power Plant.

- The Company announced its interim results for 2010, with a net profit attributable to equity holders of the Company RMB1.932 billion under IFRS, representing a growth of 3.32% compared to the same period of the previous year.

September

- The Company received from its controlling shareholder, China Huaneng Group, regarding the undertaking on relevant matters for further avoidance of business competition by China Huaneng Group with Huaneng Power International, Inc.

- The Company entered into the first 30 places of top 500 listed companies in the PRC.

- The Company ranked the 27th place at the "Top 500 listed companies in the PRC" jointly organized by the "Fortune" (Chinese version) and Chaihua Corporation. The Company was the only listed company in the domestic electricity industry that entered into the first 30 place.

October

- The Company announced its power generation increased by 32% in the first three quarters of 2010 compared to the same period of the previous year.

- The Company announced its third quarterly results for 2010. Under PRC GAAP, the Company recorded consolidated net profit attributable to equity holders of RMB3.146 billion, representing a decrease of 23.83% compared to the same period of previous year.

November

- Approval obtained at Huaneng Dalian Wafang Dian Wind Power Plant project.

- The carbon capture and storage of Shidongkou No. 2 Power Plant was conferred the honour of "model project" by the United Nations.

- The technology at Huaneng Yuhuan Power Plant was awarded the patent by the State.

- The China Securities Regulatory Commission approved the designated placing of not more than 500 million H Shares by the Company, and the non-public issuance of not more than 1,500 million A Shares by the Company.

December

- The Company completed the acquisition of the equity interest in Shanghai Time Shipping Co., Ltd. from Huaneng Energy & Communications (Holding) Co., Ltd and the equity interest in Hainan Nuclear Power Co., Ltd. from China Huaneng Group on 30 December.

- The Company announced approval obtained on the Suzhou Port Taicang Zone Huaneng Coal Pier Construction Project.

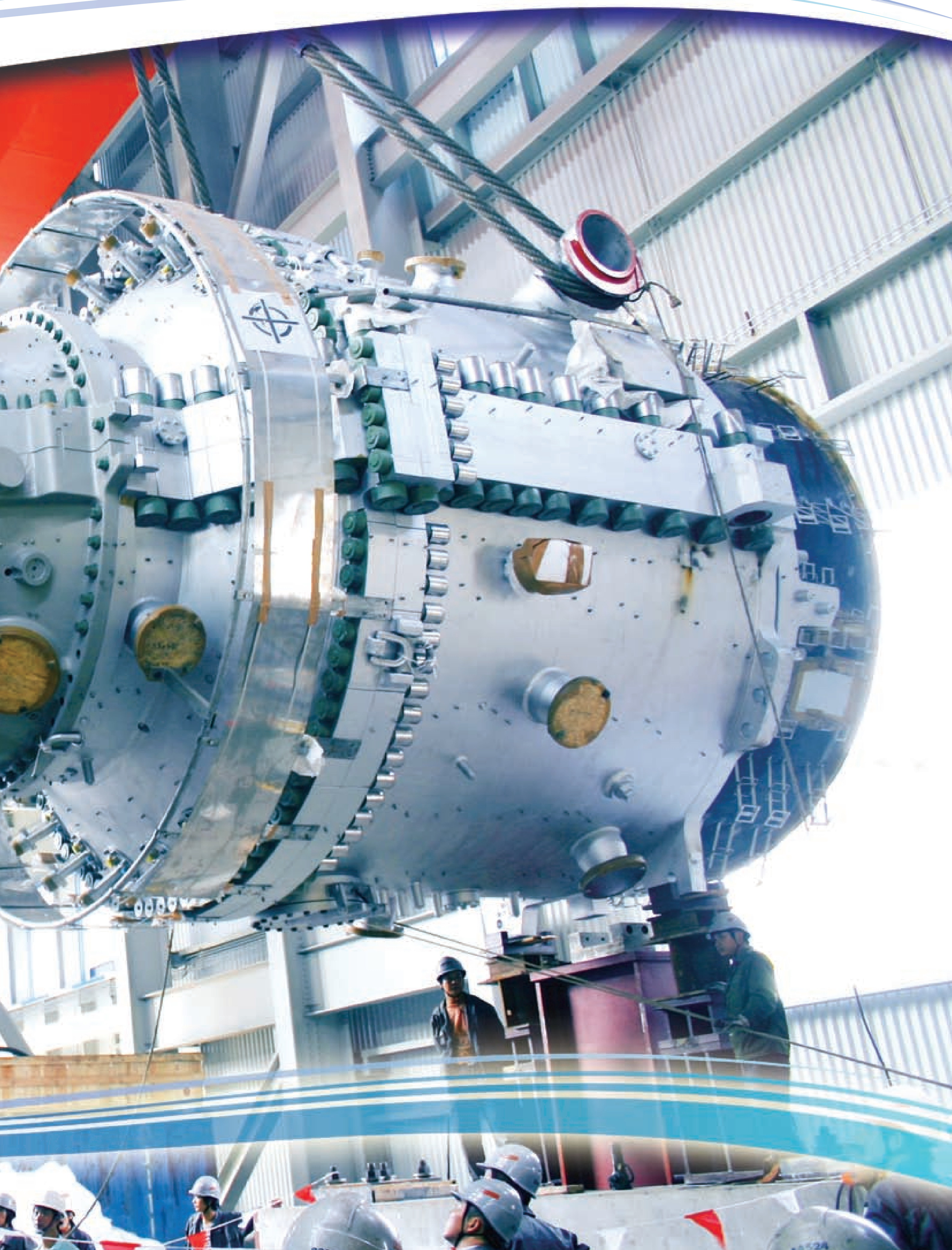
- The Company completed non-public issuance of shares, raising an aggregate fund of RMB10.381 billion from the New A Share Issue and the New H Share Issue.

- In the 2010's Platts Top 250 Global Energy Companies held in the International Energy Week in Singapore, the Company, leveraged on its outstanding overall performance, was listed the 102nd place amongst the 250 global energy companies, and the category of the global independent power producers and energy traders, the Company was ranked the 7th.

- The new development project at Units 1 and 2 of Huaneng Haimen Power Plant Phase I was awarded the gold medal by the State Quality Project for 2010, and Huaneng Yuhuan Power Plant Phase II and Huaneng Rizhao Power Plant Phase II were awarded the silver medals by the State Quality Project.

- The Company was awarded the "Best Directors for 2010" by the Shanghai Stock Exchange.

Outperform with Connected Efforts



Financial Highlights

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(Note 1)*

	Year ended 31 December				
	2006	2007	2008	2009	**2010**
Operating revenue	44,422,501	49,892,049	67,835,114	76,862,896	**104,318,120**
Profit/(Loss) before income tax (expense)/benefit	8,016,773	7,319,301	(4,791,556)	5,703,976	**4,164,090**
Income tax (expense)/benefit	(1,127,699)	(838,270)	239,723	(593,787)	**(842,675)**
Profit/(Loss) after income tax (expense)/benefit	6,889,074	6,481,031	(4,551,833)	5,110,189	**3,321,415**
Attributable to:					
– Equity holders of the Company	6,071,154	6,161,127	(3,937,688)	4,929,544	**3,347,985**
– Minority interests	817,920	319,904	(614,145)	180,645	**(26,570)**
Basic earnings/(loss) per share (RMB/share)	0.50	0.51	(0.33)	0.41	**0.28**
Diluted earnings/(loss) per share (RMB/share)	0.50	0.51	(0.33)	0.41	**0.28**

CONSOLIDATED BALANCE SHEETS *(Note 2)*

	As at 31 December				
	2006	2007	2008	2009	**2010**
Total assets	113,938,822	124,296,129	165,917,758	197,887,179	**227,938,213**
Total liabilities	(63,330,130)	(72,216,487)	(123,357,805)	(147,239,059)	**(165,512,741)**
Net assets	50,608,692	52,079,642	42,559,953	50,648,120	**62,425,472**
Equity holders of the Company	43,457,509	46,928,580	36,829,320	42,124,183	**53,789,133**
Minority interests	7,151,183	5,151,062	5,730,633	8,523,937	**8,636,339**

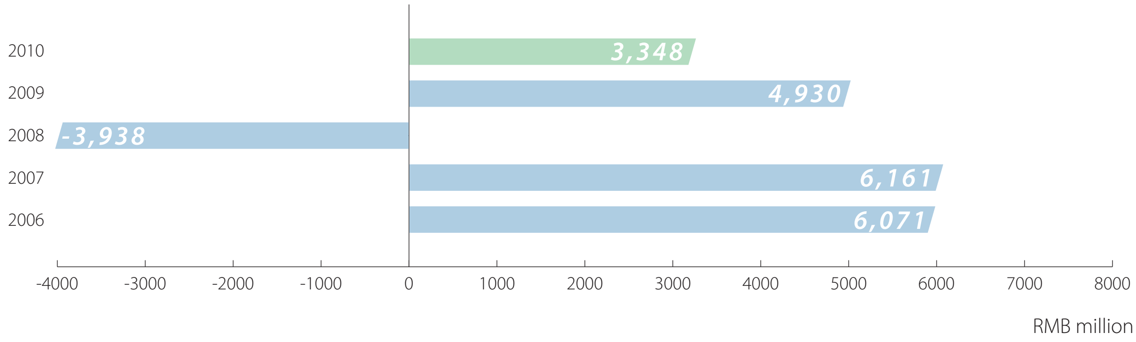
Notes:

1. The results for the years ended 31 December 2006, 2007 and 2008 are derived from the historical financial statements of the Company. The results for the years ended 31 December 2009 and 2010 are set out on pages 103 to 104. All such information is extracted from the financial statements prepared under International Financial Reporting Standards ("IFRS").

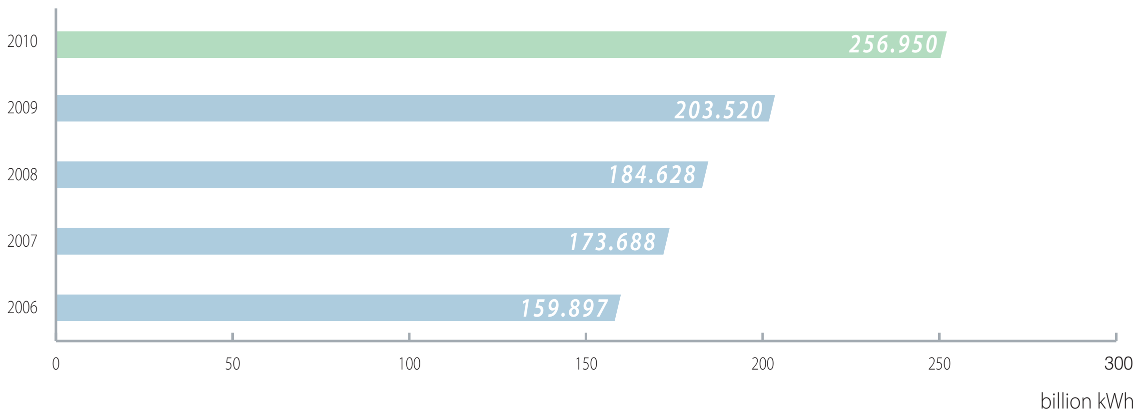
2. The consolidated balance sheets as at 31 December 2006, 2007 and 2008 are derived from the historical financial statements of the Company. The consolidated balance sheets as at 31 December 2009 and 2010 are set out on pages 105 to 106. All such information is extracted from the financial statements prepared under IFRS.

Financial Highlights

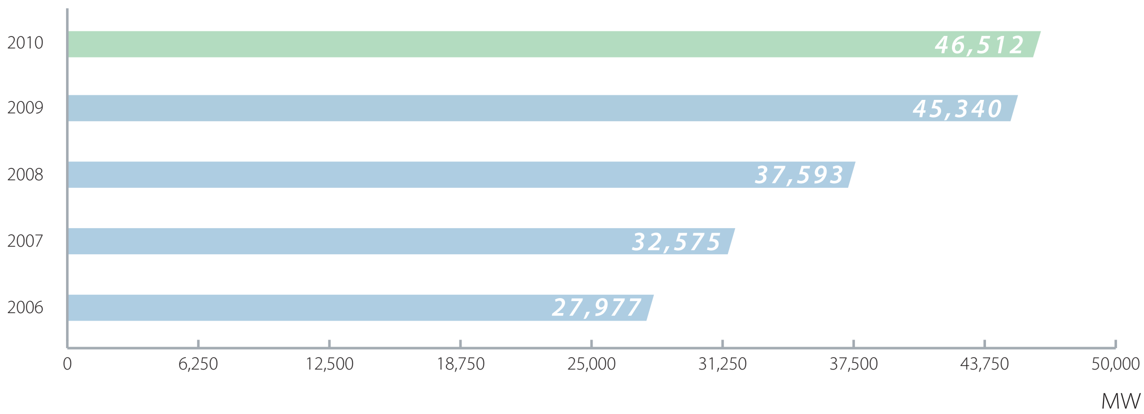
Profit/(Loss) attributable to equity holders of the Company under IFRS – For the years ended 31 December



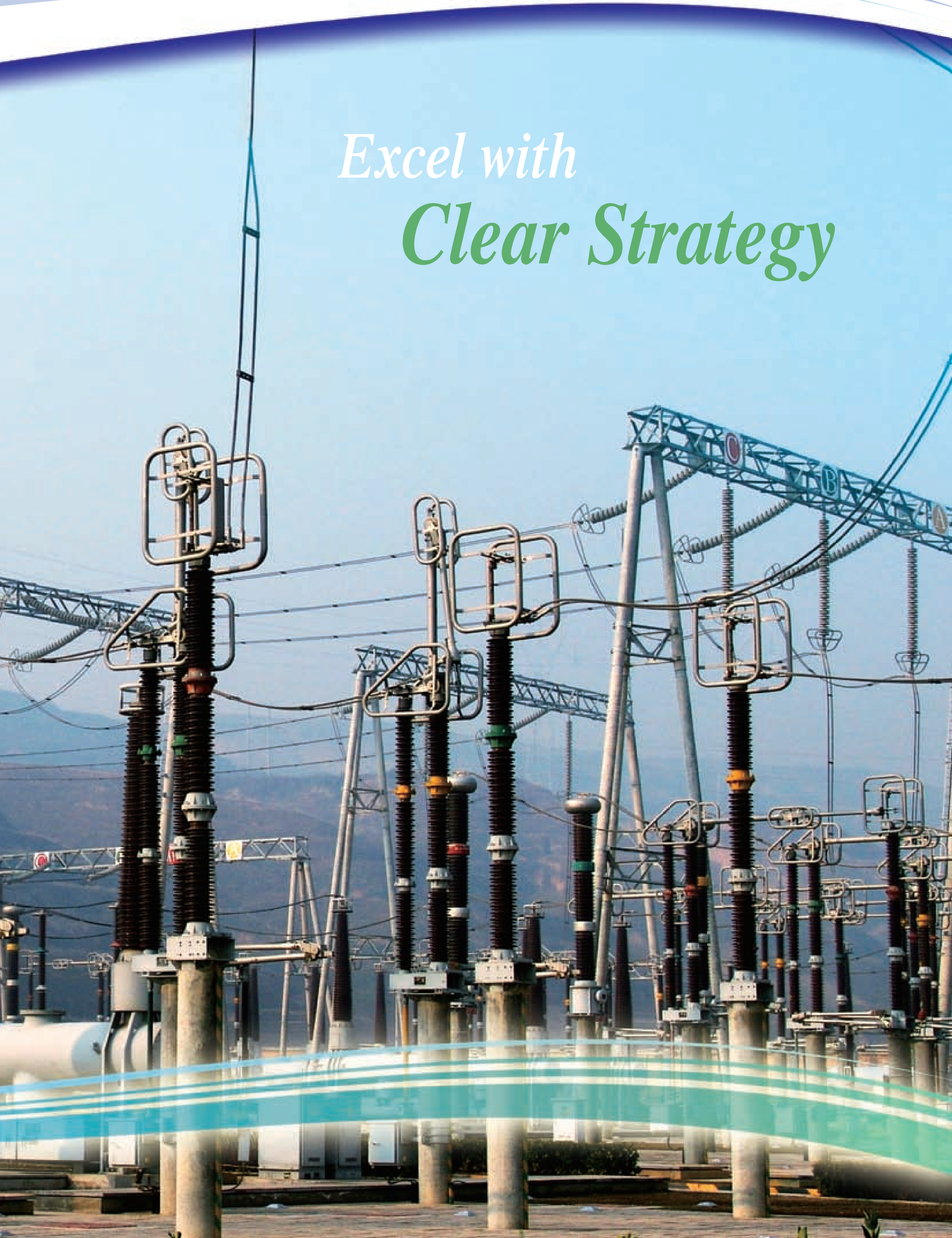
Power generation – For the years ended 31 December



Generation capacity on an equity basis – As at 31 December



Excel with Clear Strategy



Letter to Shareholders

Dear All Shareholders,

The development objectives of Huaneng Power International are: as a power company, devoted to providing sufficient, reliable and eco-friendly energy to the community; as a listed company, devoted to creating long-term, stable and increasing returns for shareholders; and as a first-class power company, is devoted to becoming a leading power enterprise in China and an advanced enterprise internationally.

In 2010, we faced a complicated operating environment. The management and all the staff of the Company united and cooperated, completed challenging assignments and overcame difficulties with our diligence and proactiveness and as a result, that various tasks have attained new achievements, highlighted and reflected in: significant achievement in realizing net profits attributable to equity holders of the Company of RMB3.348 billion for the whole year; successful completion of the designated share placement of A + H shares thus improving the asset structure and enhancing capital strengths; strengthening management of overseas projects; the results of Tuas Power steadily advanced with power generation and effectiveness significantly surpassing the anticipated objectives at the beginning of the year; continued improvement and enhancement of the corporate governance system and was honoured with the "2010 Board of Directors Award" of the Shanghai Stock Exchange and the Sixth Asia Corporate Governance Award of *Asia Corporate Governance*.

Reviewing the development process of the "11th Five-Year Plan", Huaneng International commanded the overall situation with a scientific concept of development, insisted on reform with keen determination and a daring innovation thus successfully coping with various significant challenges and achieving outstanding achievements of "doubling", operating income and total assets and maintained the leading position in terms of technology in the industry and making important contributions towards satisfying the power demand for economic and social development and facilitating the technical progress of the PRC power industry.

During the past five years, the installation structure of the Company was further optimized and the Company continued to lead the technical progress in the PRC power generation industry and created various No1s: constructed the first domestic 1,000 MW generating unit power plant; took the lead in constructing a domestic

600 MW ultra-supercritical generating unit, a 600 MW supercritical air-cooling generating unit and a domestic 350 MW supercritical generating unit; constructed and put into operation the first domestic carbon dioxide capture demonstrating test equipment and the most effective carbon dioxide capture project in the world. The "Topic on Research and Development and Application of Ultra-supercritical Coal-fired Power Generation Technology" of the Company won the State Technology Progress First Class Award; three projects won the "Asia Power Technology Innovation Award".

During the past five years, the Company actively promoted the utilization of the traditional clean energy and strived to upgrade the utilization rate in energy. The Company successfully completed the tasks in the letter of Responsibility for Energy Saving and Emissions Reduction of the "11th Five-Year Plan" and the planned objectives. In 2010, the coal consumption rate for power supply was 315.59 gram/kWh, representing 22.6 gram/kWh lower than the average level of the nation and a decrease of 21.47 gram/kWh as compared to the initial stage of the "11th Five-Year Plan" in 2005; the house consumption rate was 5.1%, representing a decrease of 0.33 percentage point as compared to 2005 which continued to maintain a leading level in the industry. All the coal-fired generating units of the Company have installed desulfurization facilities. Part of the units have been installed with denitrification operating device.

During the five-year period, the Company achieved outstanding results in capital operation. The Company attached equal importance to both its development and acquisitions and actively developed various types of capital operation and maintained rapid development under the strong support of Huaneng Group. The Company completed the single largest equity interest

refinancing by domestic power listed companies, and acquired a number of power assets projects of Huaneng Group of China, successfully acquired interest in Shenzhen Energy Co., Ltd and issued corporate bonds totalling RMB10 billion. Through international bidding, the Company successfully acquired Singapore Tuas Power Co. Ltd. and set a successful precedent for a domestic power enterprise to wholly acquire the equity interest of an overseas enterprise.

During the five-year period, the management standard of the Company was significantly improved and the governance structure was continuously perfected. As a State-owned holding company listed in three places within and outside the PRC, the Company took the lead in establishing an internal control system of international standards; accumulated substantial experience in production safety, project construction, marketing, fuel management and financial control and formed distinctive management advantages; controlled costs through professional, standardized and streamlined management and enhanced effectiveness and efficiency. The Company was assessed to be the first batch of AAA grade credit enterprises in the power industry.

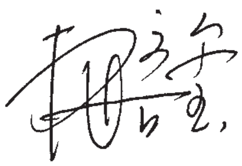
During the five-year period, at the same time the Company strived to establish to be a company with excellent results, the Company also focused on the harmonious development taking its own development, the environment and the society into consideration. The Company persisted on the implementation of its social responsibility, expanded co-operation on basis of mutual benefit and profit, thus ensuring the harmonious advancement with relevant interested parties and to become an excellent corporate citizen.

Looking forward to the "12th Five-Year Plan", the PRC economy will continue to develop steadily with a relatively fast pace. The world economy will gradually recover and China is still in an important strategy opportunity period. At the same time, some uncertain and unstable factors still exist in the economic development. The Company itself also faces certain issues including single power structure, fewer coal-electricity integration projects, inadequate self-supply ratio and control over coal resources and insufficient resources for subsequent projects. Under the new situation, the Company will face new opportunities and challenges and has to play a big role as the only platform for the ultimate integration of the general energy business of Huaneng Group and play a role as a financing platform for a company listed in three places, thereby opening up a new development situation by way of innovative development mentality and changing development mode.

In the "12th Five-Year Plan" and future development, the Company will accelerate the change in development mode, further consolidate and optimize regional planning, effectively promote industry synergy, strengthen structure adjustment, enhance clean energy investment and distribution, reinforce capital operation, adhere to cutting-edge technologies and steadily advance international strategies, so as to make the Company stand out as a first-rate listed power company that boasts prominent edges in terms of cutting-edge technologies, excellent management, reasonable distribution, optimal structure, industry synergy, remarkable efficiency, simultaneous development of coal-fired and clean energy power generation with excellent corporate governance and market value.

Letter to Shareholders

Being of a responsible enterprise, we insist on supporting the continued enhancement of our corporate competitive edges through a responsible approach; insist to duly perform our economic responsibilities to provide our shareholders with long-term, stable and growing returns; continue to perform our environmental responsibilities by paying heed to people's livelihood and clean development to ensure utilization of resources in an efficient and energy saving manner, and turn the Company into a "green corporation"; to perform our social responsibilities by creating mutual benefits and win-win scenarios that are conducive to the harmonious development of the Company and its stakeholders, so that the Company may serve as an excellent corporate citizen.



CAO Peixi
Chairman

Beijing, PRC
29 March 2011

Leap Forward on Sound Foundation

Management's Discussion and Analysis

Since its incorporation, the Company has continued to expand its operating scale, thus increasing its operating revenue. The Company has also been the industry leader in terms of competitiveness, effectiveness of resources utilization and environmental protection. Currently, the Company is one of the largest listed power producers in China.

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

(Prepared under International Financial Reporting Standards ("IFRS"))

OVERVIEW

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, increases economic efficiency, enhances returns for shareholders, conserving resources and protects the environment. The Company also attaches importance to social responsibilities and makes active efforts to build a harmonious society.

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

Looking back in 2010, with the strong support of the shareholders and concerted efforts of the employees, as well as its commitment to scientific development and annual operating targets, the Company has actively responded to the changes in power, coal and capital markets, and achieved effective market expansions and explorations as well as fuels cost controls, completed construction projects as scheduled and succeeded in private share placements. In the meantime, the Company continued to fulfill its social responsibilities diligently to provide sufficient, reliable and clean electric power and achieved new progress in the areas of energy saving, project construction, generating units renovation and environmental protection.

A. Operating Results

1. 2010 operating results

The Company completed its acquisitions of Zhanhua Co-generation, Luneng Jiaonan Port, Luneng Sea Transportation and Jilin Biological Power in December 2010. These four entities are included in consolidation scope of the Company since then.

The annual power generated by the Company's domestic power plants for the year ended 31 December 2010 was listed below (in billion KWh):

Power Plant	Power generation in 2010	Power generation in 2009	Change
Dalian	7.912	8.386	-5.65%
Fuzhou	8.802	8.511	3.42%
Nantong	8.643	7.816	10.58%
Shang'an	14.098	11.824	19.23%
Shidongkou II	6.510	6.691	-2.71%
Dezhou	16.143	14.910	8.27%
Shidongkou I	7.566	6.847	10.50%
Shantou Coal-fired	7.036	6.198	13.52%
Dandong	3.864	4.078	-5.25%
Nanjing	3.759	3.654	2.87%
Jining	5.271	2.044	157.88%
Changxing	1.077	1.585	-32.05%
Weihai	4.212	3.720	13.23%
Taicang	11.624	11.537	0.75%
Huaiyin	8.048	7.293	10.35%
Yuhuan	23.440	19.913	17.71%
Xindian	3.657	3.345	9.33%
Yushe	4.889	4.464	9.52%
Qinbei	13.961	12.510	11.60%
Luohuang	12.535	10.843	15.60%
Shanghai CCGT	1.650	0.847	94.81%
Yueyang	5.786	5.225	10.74%
Yingkou	9.850	9.402	4.76%
Jinggangshan	8.252	3.194	158.36%
Pingliang	8.945	5.077	76.19%
Jinling CCGT	2.434	2.273	7.08%
Haimen	12.012	3.349	258.67%
Rizhao Phase II	8.152	7.307	11.56%
Yingkou Co-gengeration	3.669	0.123	2,882.93%
Beijing Co-generation	4.704	4.394	7.06%
Yangliuqing Co-generation	6.439	6.007	7.19%
Qidong Wind Power	0.214	0.153	39.87%
Shidongkou Power Generation	5.002	—	N/A
Jinling Coal-fired	6.458	—	N/A
Huade Wind Power	0.130	—	N/A
Zhanhua Co-generation*	0.206	—	N/A
Total	256.950	203.520	26.25%

* Zhanhua Co-generation was newly acquired from Shandong Electric Power Corporation and included in consolidation scope of the Company from December 2010 onwards. The power generation included herein represented power generation of Zhanhua Co-generation in December 2010.

In 2010, the annual power generated by Tuas Power in Singapore accounted for 24.70% of the total power generated in Singapore, increasing by 0.4 percentage point as compared to 24.30% in 2009.

In respect of the tariff, the average tariff of domestic power plants for the year ended 31 December 2010 was RMB421.66 per MWh, an increase of RMB4.43 per MWh from the year ended 31 December 2009.

In respect of fuel supply and cost controls, the increase of coal price contributed to an increase in fuel cost of the Company. Compared to last year, the Company's fuel cost per unit of power sold increased by 14.72% to RMB247.49 per MWh.

Combining the foregoing factors, the operating revenue of the Company and its subsidiaries for the year ended 31 December 2010 increased by 35.72% from last year. In 2010, the Company and its subsidiaries recorded a net profit attributable to equity holders of the Company of RMB3.348 billion, decreasing by approximately 32.08% compared to the net profit attributable to equity holders of the Company of RMB4.930 billion for the year ended 31 December 2009. The decrease of net profit attributable to equity holders of the Company was primarily due to the increase in fuel price.

2. Comparative Analysis of Operating Results

2.1 Operating revenue and tax & levies on operations

Operating revenue represents amounts receivable or received from power sold. For the year ended 31 December 2010, the consolidated operating revenue of the Company and its subsidiaries amounted to RMB104.318 billion, representing a 35.72% increase form RMB76.863 billion for the year ended 31 December 2009. The increase in operating revenue was primarily attributable to the increased power generation and commencement of operations of new generating units. The operations of new generating units contributed approximately RMB13.238 billion to the increase. The operating revenue of Singapore operations increased approximately by RMB4.664 billion for the year ended 31 December 2010 from last year.

Power Plant	Average tariff rate (VAT inclusive) (RMB/MWh) 2010	2009	Change
Dalian	**375.44**	368.66	1.84%
Fuzhou	**413.22**	412.24	0.24%
Nantong	**409.06**	401.71	1.83%
Shang'an	**378.59**	372.41	1.66%
Shantou Coal-fired	**521.34**	525.38	-0.77%
Dandong	**376.61**	366.30	2.81%
Shidongkou II	**416.36**	411.80	1.11%
Nanjing	**414.19**	407.58	1.62%
Dezhou	**417.68**	418.92	-0.30%
Weihai	**456.31**	459.90	-0.78%
Jining	**401.53**	406.10	-1.12%
Shidongkou I	**435.52**	425.76	2.29%
Taicang I	**415.37**	412.19	0.77%
Changxing	**519.39**	479.71	8.27%
Huaiyin II	**443.17**	415.73	6.60%
Yushe	**334.11**	320.53	4.24%
Yingkou	**387.78**	383.58	1.10%
Jinggangshan	**413.30**	414.16	-0.21%
Luohuang	**382.70**	373.42	2.48%
Yueyang	**435.71**	434.26	0.33%
Qinbei	**379.68**	370.47	2.49%
Pingliang	**275.91**	261.02	5.70%
Yuhuan	**459.86**	467.54	-1.64%
Taicang II	**414.13**	398.36	3.96%
Xindian II	**405.67**	404.30	0.34%
Haimen	**496.33**	497.45	-0.23%
Rizhao Phase II	**397.60**	394.24	0.85%
Yingkou Co-generation	**386.29**	375.00	3.01%
Beijing Co-generation	**474.21**	482.42	-1.70%
Yangliuqing Co-generation	**407.08**	408.12	-0.26%
Shidongkou Power Generation	**445.70**	N/A	N/A
Zhanhua Co-generation	**397.40**	N/A	N/A
Shanghai CCGT	**662.00**	629.00	5.25%
Jinling	**453.38**	544.97	-16.81%
Tuas Power	**927.89**	765.31	21.24%
Qidong Wind Power	**487.70**	487.70	0.00%
Huade Wind Power	**510.00**	N/A	N/A

Tax and levies on operations 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 also applied to direct foreign investment entities that have been approved by the government since December 2010, therefore certain power plants of the Company are subject to these taxes since then. For the year ended 31 December 2010, the tax and levies on operations amounted to RMB148 million.

2.2 Operating expenses

For the year ended 31 December 2010, the total operating expenses of the Company and its subsidiaries was RMB95.541 billion, representing a 41.46% increase from RMB67.537 billion for the year ended 31 December 2009. The increase was primarily attributable to the increase in fuel prices and commencement of operations of new generation units. The operations of new generating units contributed RMB11.760 billion to the increase in consolidated operating expenses. Excluding the factor of the operations of new generating units, the operating expenses increased by RMB16.244 billion as compared to the operating expenses for the year ended 31 December 2009. Among this increase, the operating expenses of Singapore operations increased by RMB4.388 billion for the year ended 31 December 2010 from last year.

2.2.1 Fuel

Fuel cost represents the majority of the operating expenses for the Company and its subsidiaries. For the year ended 31 December 2010, fuel cost of the Company and its subsidiaries increased 51.34% to RMB67.892 billion from RMB44.861 billion for the year ended 31 December 2009. The increase was primarily attributable to the increase in fuel price and power generated. The operations of new generating units accounted for RMB9.295 billion of the increase in fuel cost. Excluding the factor of the operations of new generating units, the fuel cost increased by RMB13.736 billion as compared to the fuel cost for the year ended 31 December 2009. Among this increase, fuel costs of Singapore operations increased by approximately RMB2.316 billion for the year ended 31 December 2010 from last year.

For the year ended 31 December 2010, the average unit price (excluding tax) of fuel coal was RMB517.20 per ton, representing a 12.23% increase from RMB460.83 per ton for the year ended 31 December 2009. Due to the increase in coal price, the fuel cost per unit of power sold of domestic power plants increased 14.72% to RMB247.49 per ton.

2.2.2 Maintenance

For the year ended 31 December 2010, the maintenance expenses of the Company and its subsidiaries amounted to RMB2.302 billion, representing a 13.10% increase from RMB2.035 billion for the year ended 31 December 2009. The operations of new generating units accounted for approximately RMB292 million of the increase and the maintenance expenses of the existing generating units decreased by approximately

RMB25 million. Among the decrease, the maintenance expenses of Singapore operations increased by approximately RMB26 million.

2.2.3 Depreciation

For the year ended 31 December 2010, depreciation expenses of the Company and its subsidiaries increased by 21.87% to RMB10.447 billion from RMB8.572 billion for the year ended 31 December 2009. The increase was primarily attributable to the Company's expansion.

2.2.4 Labor

Labor costs consist of salaries to employees and contributions payable to relevant state authorities for employees' housing fund, medical insurance, pension and unemployment insurance, as well as training costs, etc. For the year ended 31 December 2010, the labor costs of the Company and its subsidiaries amounted to RMB4.067 billion, representing a 13.13% increase from RMB3.595 billion for the year ended 31 December 2009. The operations of new generating units contributed RMB390 million to the increase. The labor costs of Singapore operations increased by approximately RMB37 million.

2.2.5 Other operating expenses (including purchase of electricity and service fees paid to HIPDC)

Other operating expenses include environmental protection expenses, land fee, insurance premiums, office expenses, amortization, and Tuas Power's purchase of electricity, etc. For the year ended 31 December 2010, other operating expenses (including purchase of electricity and service fees paid to HIPDC) of the Company and its subsidiaries were RMB10.833 billion, representing a 27.86% increase from RMB8.473 billion for the year ended 31 December 2009. The operations of new generating units contributed approximately RMB421 million to the increase of other operating expenses for the year ended 31 December 2010. The Singapore operations contributed approximately RMB1.973 billion (among this increase, the purchase of electricity increased by approximately RMB1.918 billion).

2.3 Financial expenses

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

2.3.1 Interest expense

For the year ended 31 December 2010, the interest expense of the Company and its subsidiaries was RMB5.283 billion, representing a 23.99% increase from RMB4.260 billion for the year ended 31 December 2009. The increase was primarily attributable to expensing instead of capitalizing interest upon commercial operation of new generating units, which accounted for RMB979 million of the increase. The interest expense of Singapore operations increased by approximately RMB45 million.

2.3.2 Net exchange differences and bank charges

For the year ended 31 December 2010, the exchange gains less bank charges of the Company and its subsidiaries amounted to RMB88 million, increasing by RMB137 million compared to RMB-49 million for the year ended 31 December 2009. For the year ended 31 December 2010, the exchange gains of the Company and its subsidiaries was RMB134 million, representing an increase of approximately RMB93 million from approximately RMB41 million for the year ended 31 December 2009. The net exchange differences and bank charges of Singapore operations increased by approximately RMB160 million.

2.4 Share of profits of associates

For the year ended 31 December 2010, the share of profits of associates was RMB569 million, a RMB187 million decrease from RMB756 million for the year ended 31 December 2009. The decrease was primarily due to the decrease of associates' net profit for the year ended 31 December 2010.

2.5 Income Tax Expense

For the year ended 31 December 2010, the Company and its subsidiaries recorded an income tax expense of RMB843 million, representing an increase by 41.92% from RMB594 million for the year ended 31 December 2009. The increase was primarily due to the utilization of prior year unrecognized tax losses last year. The Singapore operations contributed an increase of approximately RMB28 million.

2.6 Net profit, Profit attributable to the equity holders of the Company and non-controlling interests

For the year ended 31 December 2010, the Company and its subsidiaries achieved a net profit of RMB3.321 billion, representing a decrease of RMB1.789 billion from RMB5.110 billion for the year ended 31 December 2009. The decrease was largely attributable to the increase in fuel price. For the year ended 31 December 2010, the profit attributable to equity holders of the Company was RMB3.348 billion, representing a decrease of RMB1.582 billion from RMB4.930 billion for the year ended 31 December 2009. The profit attributable to equity holders of the Company from its Singapore operations increased by RMB105 million to RMB691 million. The loss attributable to non-controlling interests of the Company was RMB27 million for the year ended 31 December 2010, compared to a profit of RMB181 million for the year ended 31 December 2009.

2.7 Comparison of financial positions

The assets and liabilities of the Company and its subsidiaries experienced significant change compared to that at the beginning of the year, due to the acquisitions of power plants and continued investments in construction projects.

2.7.1 Comparison of asset items

As at 31 December 2010, total assets of the Company and its subsidiaries were RMB227.938 billion, representing a 15.19% increase from RMB197.887 billion as at 31 December 2009. Non-current assets increased by 13.06% to RMB196.382 billion, primarily due to the continued investments in construction projects and acquisitions of power plants. Current assets increased by 30.45% to RMB31.556 billion, primarily due to the increase in cash and cash equivalents from issuance of additional shares.

As at 31 December 2010, total assets of Singapore operations were RMB27.998 billion, including RMB22.753 billion of non-current assets and RMB5.245 billion of current assets.

2.7.2 Comparison of liability items

As at 31 December 2010, total liabilities of the Company and its subsidiaries were RMB165.513 billion, representing a 12.41% increase from RMB147.239 billion as at 31 December 2009, primarily attributable to the increased borrowings for construction projects. Non-current liabilities of the Company and its subsidiaries mainly consisted of bank loans and bonds. The increase of current liabilities was largely attributable to the increase in short-term borrowings.

As at 31 December 2010, interest-bearing debts of the Company and its subsidiaries totaled approximately RMB141.984 billion. The interest-bearing debts consisted of long-term loans (including those maturing within a year), long-term bonds, short-term loans, short-term bonds and notes payable. The interest-bearing debts denominated in foreign currencies were approximately RMB7.093 billion.

As at 31 December 2010, total liabilities of Singapore operations were RMB18.670 billion, including RMB17.025 billion of non-current liabilities and RMB1.645 billion of current liabilities.

2.7.3 Comparison of equity items

Excluding the impact of profit and profit appropriations, the Company's equity items increased at the end of the year as compared to the beginning of the year, primarily attributable to the increase of RMB10.274 billion from issuance of additional shares by the Company, compared to the decrease of RMB258 million and RMB21 million resulting from the post-tax impact of decreased fair value of tradable stocks held by the Company and the post-tax impact of cash flow hedge of Tuas Power, respectively.

2.7.4 Major financial position ratios

	2010	2009
Current ratio	**0.38**	0.41
Quick ratio	**0.32**	0.34
Ratio of liabilities and shareholders' equity	**3.08**	3.50
Multiples of interest earned	**1.55**	1.79

Formula of the financial ratios:

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

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

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

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

The current ratio and quick ratio remained at a relatively low level for the years ended 31 December 2010 and 2009, and decreased slightly at the year end of 2010 from the year end of 2009. The decrease in the ratio of liabilities and shareholders' equity at the year end of 2010 from the year end of 2009 was primarily due to the issuance of additional shares by the Company. The multiples of interest earned decreased, primarily attributable to the decrease of net profit ended 31 December 2010.

B. Liquidity and Cash Resources

1. Liquidity

	2010 RMB billion	2009 RMB billion	Change %
Net cash provided by operating activities	**18.067**	14.981	20.60%
Net cash used in investing activities	**-26.981**	-24.880	8.44%
Net cash provided by financing activities	**13.063**	9.503	37.46%
Exchange gains	**0.050**	0.056	-10.71%
Net increase/(decrease) in cash and cash equivalents	**4.199**	-0.340	-1,335.00%
Cash and cash equivalents as at the beginning of the year	**5.227**	5.567	-6.11%
Cash and cash equivalents as at the end of the year	**9.426**	5.227	80.33%

For the year ended 31 December 2010, net cash provided by operating activities of the Company was RMB18.067 billion, of which RMB1.686 billion was from its operating activities in Singapore. The increase in cash used in investing activities was mainly attributable to the acquisitions of Luneng Project. The increase in cash provided by financing activities was mainly attributable to the shares issuance. The Company expects to continue its focus on construction projects in 2011. As at 31 December 2010, cash and cash equivalents of the Company and its subsidiaries denominated in RMB, Singapore dollar, U.S. dollar, Japanese Yen and HK dollar were RMB4.362 billion, RMB1.888 billion, RMB1.157 billion, RMB7 million, and RMB2.012 billion, respectively.

As at 31 December 2010, net current liabilities of the Company and its subsidiaries were approximately RMB52.081 billion. Based on the Company's proven financing records, 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 also capitalized on its good credit record to make short-term borrowings at relatively lower interest rates, thus reducing its interest expense.

2. Capital expenditures and cash resources

2.1 Capital expenditures on acquisitions

On 31 December 2009, the Company entered into an Equity Interest Transfer Contract with Shandong Electric Power Corporation ("Shandong Power") and Shandong Luneng Development Group Company Limited ("Luneng Development"), which the Company agreed to acquire 100% equity interest in the registered capital of Diandong Energy, 100% equity interest in the registered capital of Diandong Yuwang, 100% equity interest in the registered capital of Zhanhua Co-generation, 100% equity interest in the registered capital of Jilin Biological Power, 60.25% equity interest in the registered capital of Luoyuanwan Harbour, 58.3% equity interest in the registered capital of Luoyuanwan Pier, 73.46% equity interest in the registered capital of Ludao Pier, 100% equity interest in the registered capital of Luneng Jiaonan Port, 53% equity interest in the registered capital of Luneng Sea Transportation, and development rights with respect to the preliminary stage projects (including Rizhao Lanshan 4×660 MW coal-fired project and Luoyuanwan 2×660 MW coal-fired project), all of which were owned by Shandong Power, and 39.75% equity interest in the registered capital of Luoyuanwan Harbour owned by Luneng Development. The aggregate consideration for the above-mentioned acquisitions of equity interests is RMB8.625 billion. As at 31 December 2010, the Company has paid RMB4.658 billion.

As at 31 December 2010, among the 9 entities above, the Company has obtained controls of Zhanhua Co-generation, Luneng Jiaonan Port, Luneng Sea Transportation and Jilin Biological Power. These 4 entities are included in the consolidation scope of the Company for the year of 2010.

On 1 December 2010, the Company entered into the Time Shipping Interest Transfer Agreement and the Hainan Nuclear Interest Transfer Agreement with Huaneng Energy & Communications Holding Co., Ltd. ("HEC") and Huaneng Group, respectively, pursuant to which the Company agreed to acquire the equity interests in Time Shipping and Hainan Nuclear. The Company paid RMB1.058 billion to HEC as consideration for transfer of equity interest in Time Shipping and RMB174 million to Huaneng Group as consideration for transfer of equity interest in Hainan Nuclear.

2.2 Capital expenditures on construction and renovation projects

The capital expenditures for the year ended 31 December 2010 were RMB20.732 billion, mainly used in construction and renovation projects, including RMB1.282 billion for Fuzhou expansion project, RMB2.204 billion for Haimen power project, RMB310 million for Jining Co-generation project, RMB389 million for Jinggangshan expansion project, RMB1.011 billion for Weihai expansion project, RMB1.618 billion for Qinbei expansion project, RMB1.105 billion for Yueyang expansion project, RMB382 million for Pingliang expansion project, RMB546 million for Jinling Coal-fired expansion project, RMB533 million for Shidongkou Power Generation project, RMB853 million for Beijing Co-generation expansion project, RMB417 million for Qidong Wind Power project, RMB344 million for Yingkou Co-generation project, RMB1.514 billion for Zuoquan power project, RMB1.847 billion for Jiuquan Wind Power project and RMB311 million for Kangbao Wind Power project. The expenditures on construction projects in Singapore were RMB990 million. The expenditures on other construction projects and renovations were RMB2.323 billion and RMB2.753 billion, respectively.

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

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 foundation for its long-term growth. The Company expects to finance the capital expenditures above through internal funding, cash flows provided by operating activities and debts and equity financing. The cash requirements, usage plans and cash resources of the Company for next two years are as follows:

Unit: RMB billion

Items	**Capital expenditure arrangement**		**Contractual arrangement**		**Financing methods**	**Cash resources arrangements**	**Financing costs and note on use**
	2011	**2012**	**2011**	**2012**			
Thermal power projects	13.267	10.8	13.267	10.8	Debts and equity financing	Internal cash resources & bank loans, etc	Within the floating range of benchmark lending interest rates of PBOC
Hydropower projects	0.440	0.09	0.440	0.09	Debts financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Wind power projects	1.707	2.5	1.707	2.5	Debts and equity financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Port projects	0.583	2.77	0.583	2.77	Debts financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Renovation projects	2.715	—	2.715	—	Debts financing	Internal cash resources & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC

2.3 Cash resources and anticipated financing costs

The Company expects to finance its capital expenditures and acquisition costs primarily through internal capital, cash flows from operating activities and debts and equity financing.

Good operating results and sound credit status provide the Company with strong financing capabilities. As at 31 December 2010, the Company and its subsidiaries has undrawn banking facilities of over RMB100 billion granted by Bank of China, China Construction Bank and China Development Bank, etc.

The Company has completed the issuance of unsecured short-term bonds in two tranches installments on 24 March 2010 and 2 July 2010, each at principal amount of RMB5 billion and nominal annual interest rates of 2.55% and 3.20%, respectively. Both of the bonds were denominated in RMB, issued at par value, and mature in 270 days and 365 days, respectively. The RMB5 billion short-term bonds issued by the Company on 24 March 2010 have matured and were repaid on 19 December 2010.

As at 31 December 2010, short-term loans of the Company and its subsidiaries totaled RMB44.047 billion (2009: RMB24.730 billion). Including which, borrowings from banks were charged at annual interest rates ranging from 1.80% to 5.31% (2009: 1.30% to 7.47%).

Short-term bonds payable by the Company and its subsidiaries totaled RMB5.070 billion as at 31 December 2010 (2009: RMB10.101 billion).

As at 31 December 2010, long-term loans of the Company and its subsidiaries totaled approximately RMB78.967 billion (2009: approximately RMB80.517 billion), consisting of loans denominated in Renminbi of approximately RMB56.187 billion (2009: approximately RMB57.344 billion), in US dollars of approximately US$943 million (2009: approximately US$1.046 billion), and in Euro of approximately Euro 95 million (2009: approximately Euro 105 million). Included in the above, U.S. dollar denominated borrowings were approximately US$812 million (2009: approximately US$820 million) floating-rate borrowings. Singapore dollar and Japanese Yen denominated borrowings were all floating-rate borrowings. For the year ended 31 December 2010, long-term bank loans bore annual interest rates from 0.51% to 6.97% (2009: 1.44% to 7.56%).

As at 31 December 2010, the borrowings for its operation in Singapore were all long-term loans from bank, approximately in aggregate of RMB15.687 billion, denominated in Singapore dollar and bearing annual floating rates from 2.15% to 4.25%.

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

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

2.4 Other financing requirements

The objective of the Company is to bring long-term, steadily growing returns to shareholders. In line with this objective, the Company follows a proactive, stable and balanced dividend policy. In 2010, in accordance with the profit appropriation plan of the board of directors of the Company (subject to the approval of the shareholders' meeting), the Company expects to pay a cash dividend of approximately RMB2.811 billion.

2.5 Maturity profile of borrowings

(Unit: RMB billions)

	2011	2012	2013	2014	2015
Principal proposed to be repaid	64.9	16.2	7.3	10.4	2.7
Interest proposed to be repaid	5.2	3.2	2.7	2.4	2.0
Total	70.1	19.4	10.0	12.8	4.7

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

(2) The amounts of the principal to be repaid in 2011 is relatively large because this includes expected repayments of short-term loans and short-term bonds.

C. Trend Information

According to the National Power Industry Statistics Express for 2010 issued by China Electricity Council, as at 31 December 2010, nationwide installed capacity reached 962,000 MW, representing a 10.08% year-on-year increase. For the year ended 31 December 2010, power generated throughout PRC reached 4.2280 trillion kWh, representing a 14.85% year-on-year increase. Coal-fired power accounted for 3.4145 trillion kWh, or approximately 80.76% of the total power generated, representing a 13.38% increase from last year. The utilization hours of generating equipment increased against the background of a generally balanced power market and continually growing consumption of electricity nationwide with the improved economy in China. For the year ended 31 December 2010, nationwide average accumulated utilization hours of power plants with 6,000 KW and above capacities were 4,660 hours, representing an increase of 114 hours from the year ended 31 December 2009. Utilization hours of coal-fired power generating equipment were 5,031 hours, representing an increase of 166 hours from the same period last year. In the year 2010, the Company's newly operated generating units include two 600 MW coal-fired generating units of Gansu Plingliang Power Plant, and one 600 MW coal-fired generating units of Fujian Fuzhou Power Plant. The operation of new generating units contributed to an aggregate of 1,800 MW of the Company's controlling generation capacity. In January 2011, one 600 MW coal-fired generating unit of Hunan Yueyang Power Plant, the Phase I of Hebei Kangbao Wind Power Plant (with a total capacity of 49.5 MW), and the first stage of Phase II of Jiangsu Qidong Wind Power Plant (with a total capacity of 50 MW) completed their trial run, respectively. In addition, the acquisition of assets from Shandong Power and Luneng Development became effective recently, capacity of certain investees have changed, and the

Company also conducted technical renovation on existing generating units and shut down small generating units, which resulted in the change in the Company's aggregate installed capacity. As at 29 March 2011, the Company had a controlling generation capacity of 54,402 MW, and an equity-based generation capacity of 50,935 MW. The Company's power plants are widely located in various provinces and municipalities directly under the central government, including Shandong, Liaoning, Zhejiang, Guangdong, Jiangsu, Hebei, Fujian, Jiangxi, Chongqing, Gansu, Beijing and Shanghai. In addition, the Company wholly owned a power operation company in Singapore.

1. Development trend of power market

According to the National Power Supply and Demand as well as Economic Development Trend Analysis and Forecast (2010-2011 operation issued by China Electricity Council), in 2011, China' s economy expects to maintain steady and rapid growth, the demand for electricity will continue to increase, and a generally balanced supply-demand of electricity is expected to continue nationwide during 2011 with anticipated supply-over-demand in certain areas, assuming normal supply of coals and water. However, power shortage is anticipated to occur in certain areas because of uncertainties including climate change as well as supply of water and coals. Specifically, power shortage may occur in Northeast China, East China and South China; a generally balanced supply-demand of electrify is expected in Central China with sporadic power shortage; supply of electricity is expected to be over demand in Northeast China and Northwest China; and certain provinces in Northwest China may experience structural power shortage.

2. The trend of fuel supply

Coal production capacity is expected to increase significantly in 2011. The supply of coals will be generally sufficient for its demand, but shortage in coal supply is expected to occur structurally, regionally and sporadically. Given the impact of market coal price fluctuation and railway transport capacity, the stable supply and price of coals nationwide may be affected by some uncertainties in certain areas. The Company will perform its annual contract accordingly to the market conditions, ensure consistent power supply, improve procurement structure, capitalize on international resources to ease the pressing demand for resources within the PRC, expand reliable coal supply channels by developing coal projects in cooperation with coal enterprises, and secure coal transport capacity from Shanghai Time Shipping Co., Ltd to ensure transport availability for coastal plants. The Company will also strengthen fuels management throughout its power generation process, and make efforts to control fuel costs.

3. The trend of capital market

The People's Bank of China ("PBOC") is expected to continue its prudent monetary policy in 2011. As at 25 March 2011, PBOC has raised the RMB deposit reserve requirement ratio three times and the benchmark interest rate for deposits and lending once, and is generally expected to further raise the reserve requirement ratio and the benchmark interest rate during 2011. Consequently the capital market in China experienced tightened liquidity and increased funding cost. Based on the Company's outstanding borrowing from Bank as at 31 December 2010, the Company will incur additional interest expenses of RMB334 million if the RMB lending interest rate increases by 50 basis points, assuming other conditions remaining unchanged. The Company will make appropriate funding arrangement according to the market conditions, explore new funding opportunities, and make efforts to control funding costs while satisfying funding needs.

D. Performance of Significant Investments and Their Prospects

The Company acquired 25% equity interest in Shenzhen Energy Group Co., Ltd. at the consideration of RMB2.39 billion on 22 April 2003, and acquired 200 million shares from Shenzhen Energy, a subsidiary of Shenzhen Energy Group, in December 2007. These investments brought a profit of RMB339 million to the Company for the year ended 31 December 2010 under IFRS. After Shenzhen Energy acquired most of its assets by way of designated share placement, Shenzhen Energy Group will be liquidated when appropriate. Upon Shenzhen Energy Group's liquidation, the Company will hold directly 25.01% equity interest in Shenzhen Energy. This investment is expected to provide steady returns to the Company.

The Company held directly 60% equity interest in Sichuan Hydropower as at 31 December 2006. In January 2007, Huaneng Group increased its capital investment in Sichuan Hydropower by RMB615 million, thus reducing the Company's equity interest in Sichuan Hydropower to 49% and making Huaneng Group the controlling shareholder of Sichuan Hydropower. This investment brought a profit of RMB257 million for the year ended 31 December 2010 under IFRS. This investment is expected to provide steady returns to the Company.

E. Employee Benefits

As at 31 December 2010, the Company and its subsidiaries had 33,811 domestic and overseas employees in total. The Company and its subsidiaries provided employees with competitive remuneration and linked such remuneration to operating results as working incentives for the employees. Currently, the Company and its subsidiaries do not have any non-cash remuneration packages.

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

F. Guarantees and Pledges on Loans and Restricted Assets

As at 31 December 2010, the Company provided guarantee for its wholly-owned subsidiary Tuas Power's long-term bank borrowings of approximately RMB15.653 billion.

As at 31 December 2010, the Company and its subsidiaries have pledged for the following borrowings:

1. The Company pledged certain accounts receivable for certain short-term loans borrowed in 2010. As at 31 December 2010, the balance of the secured loans was RMB1.389 billion, and the pledged accounts receivables amounted to approximately RMB1.513 billion.

2. As at 31 December 2010, secured short-term loans of RMB10 million represented the discounted notes receivable with recourse of the Company and its subsidiaries.

As at 31 December 2010, restricted bank deposits amounted to RMB121 million, which were mainly security deposits.

The Company had no material contingent liabilities as at 31 December 2010.

G. Accounting Standards with Significant Impact on the Financial Statements of the Company

For the significant changes in accounting standards for the year ended 31 December 2010 thereof, please refer to Note 2 to the Financial Statements prepared under IFRS.

H. Sensitivity Analysis to Impairment Test

1. Goodwill impairment

Separately recognized goodwill are test for impairment by the management at the end of each year. In 2010, based on the impairment tests, except for the goodwill arising from acquisition of Yushe Power Company, no goodwill was impaired. Due to the continuous increase in coal price and lower profitability, full impairment of related goodwill was provided based on the result of impairment test.

As at 31 December 2010, goodwill of the Company and its subsidiaries totaled RMB12.641 billion. Changes of tariff and fuel price could have affected the results of goodwill impairment assessment. As at 31 December 2010, 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 RMB412 million and RMB815 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 RMB378 million and RMB806 million, respectively.

2. Property, plant and equipment impairment

Property, plant and equipment are tested for impairment when there is any impairment indication on balance sheet date. In 2010, due to continuous increase of coal price and lower profitability, Zhuozhou Co-generation has recorded impairment losses of certain property, plant and equipment amounted to RMB8.48 million.

Changes of tariff and fuel price will affect the impairment assessments result of property, plant and equipment. As at 31 December 2010, 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 RMB429 million and RMB8.205 billion, 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 RMB277 million and RMB4.552 billion, respectively.

I. Risk Factors

In 2011, the PRC government is expected to take active, sound, prudent and flexible macro-economic policies, deal with the correlations between the sound and rapid economic growth, economic restructuring and inflation controls strategically, accelerate economic restructuring, and develop the economy towards a more coordinated, sustainable and organically-driven growth. In furtherance of the development and reform of the power industry, the implementation of certain policies on power industry will bring unprecedented opportunities and challenges to the Company's development.

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

1. Risks relating to power market

In 2010, power demand in the PRC experienced steady growth with the continuously improved national economy. In 2011, the nationwide economy is expected to continue to develop favorably, and the power demand will therefore sustain its growth trend. The power supply in the PRC continues to grow with the operations of more and more new generating units, particularly the rapid growth of wind and other renewable power generation units. In addition, as impacted by the energy-saving, emission-reduction, and energy-efficient power generation and dispatch policies and "equitable, fair and open" power dispatch policies, the coal-fired power generators are expected to face more uncertainties regarding government policies as well as market competition. According to the government work report delivered at the 4th convention of the 11th national people's congress, China expects to grow its GDP by 8% in 2011. Based on this expectation, the China Electricity Council estimates that electricity consumption nationwide will grow by approximately 12% in 2011, and the utilization hours of coal-fired generating units will increase by approximately 170 hours to 5,200 hours in 2011. The long overdue adjustment of power tariff-setting policies amid the sustained high coal prices will have material effect upon the Company's operation. The Company will further its efforts for enhanced risk management, improve its analysis of the market condition and industry policy, implement effective measures in an effort to increase the utilization hours, advocate for the implementation of coal-electricity linkage mechanism, and minimize operating risks.

2. Risks relating to coal supply market

Coal production capacity is expected to increase significantly in 2011. The supply of coals will be generally sufficient for its demand, but shortage in coal supply is expected to occur structurally, regionally and sporadically. The thermal coal contract for year 2011 had been signed, and the contract volume increased compared with last year. However, given the impact of market coal price fluctuation and railway transport capacity, the stable supply and price of coals nationwide may be affected by some uncertainties in certain areas. The Company will perform its annual contract according to the market conditions, ensure consistent power supply, improve procurement structure, increase the purchase of economical coal, capitalize on international resources to ease the pressing demand for resources within the PRC, accelerate the exploitation and utilization of the controllable resources of the Company, expand reliable coal supply channels by developing coal projects in cooperation with coal enterprises, and adjust price strategies in time. The Company will also strengthen fuels management throughout its power generation process, and make efforts to control fuel costs.

3. Risks relating to environment protection policies

The PRC government imposed higher standards on the emission of air pollutant by coal-fired power generators. In accordance with the newly promulgated emission standards, during the 12th Five Year Plan period, the Company will increase its investment in environmental protection, install denitrification facilities on all coal-fired generating units, reconstruct highly smoke and gas anti-dust devices, reconstruct certain flue gas desulfurization devices to increase capacity/efficiency, put in place online monitoring of the emission of mercury pollutants with smoke and gas from coal-fired generating units, as well as to carry out mercury removal technology on trial basis, in order to meet the new emission standards requirement. The new emission standards make it more difficult for the Company to control its capital expenditure and reduce its production costs. To strictly comply with the government's policies and regulations on energy saving and environment protection, the Company will apply advanced technologies and enhanced management standards; develop advanced, highly capable and effective coal-fired generating units; improve renovation on existing generating units; and phase out outdated capabilities; so as to effectively enhance the efficiency in energy saving and environment protection and realize the clean development target.

4. Financial risks

(1) Interest rate risk

Domestic operations: the interest bearing debts denominated in RMB accounted for over 90% of the Company's total debts. Hence, the change of RMB interest rates will directly affect the Company's borrowing costs. The interest bearing debts denominated in foreign currencies accounted for less than 10% of the Company's debts, and approximately half of such debts are floating rate borrowings. The Company has entered into an interest rate swap agreement to hedge approximately half of the debts with floating interest rates, and thus, the fluctuation of the interest rates on foreign currencies borrowings is expected to have minimal impact on the Company.

Overseas operations: the interest bearing debts for the Singapore operations were all denominated in Singapore dollar and bear floating interest rates. The Company has entered into a series of interest rate swap agreements to hedge approximately half of these debts, and given the prevailing lower level of the interest rates of Singapore dollar borrowings, the recent fluctuation of interest rates of Singapore dollar borrowings is not expected to have material adverse effect on the Company.

(2) Exchange rate risk

Domestic operations: the interest bearing debts denominated in foreign currencies account for less than 10% of the Company's total debts, mainly denominated in US dollar. Given the steadily upward trend of the exchange rate of RMB to US dollar, the recent fluctuation of exchange rates is not expected to have material adverse effect on the Company.

Overseas operations: the imported fuels by Tuas Power, a subsidiary of SinoSing Power, were settled in US dollar. Considering the fluctuation of the exchange rate of Singapore dollar to US dollar, Tuas Power has entered into forward exchange contracts to hedge against its exposure to potential exchange risks.

Corporate Governance Report

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

The Company has complied with the provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules in this accounting year.

(a) CODE ON CORPORATE GOVERNANCE PRACTICES

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

(2) Enhancing and improving the information disclosure system

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

Finance and Capital Operation, Rules of Procedures for the Shareholders' Meetings and the Rules on the Management of the shares held by the directors, supervisors and senior management of Huaneng Power International, Inc. and other regulations. For purposes of further strengthening the management of insider information and confidentiality of the Company and to uphold the open, fair and equal principles in information disclosure, the Company has recently promulgated and implemented the Management Measures of Insider Information in October 2010 to provide further guidance and regulation on the implementation of management responsibilities of information disclosure by senior management personnel, and to enhance the regulation of the Company's operation and corporate governance standards. The preventive measures taken at source aim to reduce insider information activities and to protect the legal interests of investors.

Relevant departments of the Company compiled answers (and subsequent updates) to questions regarding the hot topics of market concerns, the Company's production, operation and operating results in a timely manner, which shall become the basis of external communication of the Company after being approved by the Company's management and the authorized representatives of the Information Disclosure Committee. Also, the Company engages professional personnel to conduct specialized 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 formulated the Measures on Accounting, the Provisions on Construction Accounting, the Guidelines on Construction Accounting, the Provisions on Fixed Assets Management, Lists of Fixed Assets and the Provisions on Cost Management. The Company's Board, Supervisory Committee and the Audit Committee have examined the Company's financial reports on a regular basis and the Company has fulfilled the requirements of making the Chairman, the President and the Chief Accountant responsible for the authenticity and completeness of the financial reports.

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

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

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

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

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

The above systems and measures have formed a sound management framework for our production and operation. The timely formulation and strict implementation of the above regulations ensures the on-going standardization of operations of the Company and gradual enhancement of corporate management quality. In 2010, the Company won the awards entitled "The Best Board of Director for 2010" by the Ninth Session of the Corporate Governance Forum in China, "The Sixth Session Enterprise Governance in Asia" by the magazine *Corporate Governance in Asia*, "Platts Top 250 Global Energy Companies Award", respectively. The company secretary had also been praised by the Shanghai Stock Exchange as the best secretary to the board of directors for the year. The various awards built a good overall image for the Company in domestic and overseas capital markets.

(b) SECURITIES TRANSACTIONS BY DIRECTORS

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

(c) BOARD OF DIRECTORS

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

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

Details of the attendance of directors attending 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	8	7	1	87.5% (Attendance by proxy rate: 12.5%)
Liu Guoyue	8	8	0	100%
Fan Xiaxia	8	8	0	100%
Non-executive Directors				
Huang Long	8	8	0	100%
Wu Dawei	8	8	0	100%
Huang Jian	8	8	0	100%
Shan Qunying	8	8	0	100%
Xu Zujian	8	8	0	100%
Huang Mingyuan	8	8	0	100%
Liu Shuyuan	8	6	2	75% (Attendance by proxy rate: 25%)
Independent Non-executive Directors				
Liu Jipeng	8	8	0	100%
Yu Ning	8	7	1	87.5% (Attendance by proxy rate: 12.5%)
Shao Shiwei	8	8	0	100%
Zheng Jianchao	8	6	2	75% (Attendance by proxy rate: 25%)
Wu Liansheng	8	7	1	87.5% (Attendance by proxy rate: 12.5%)

As stated in Corporate Governance Report of 2009, the Company's Articles of Association set out in detail the duties and operational procedures of the Board (please refer to the Company's Articles of Association for details). The Board of the Company holds regular meetings to hear the report on the Company's operating results and makes timely decision. Material decisions on operation shall be discussed and approved by the Board. Ad hoc meetings may be held if necessary. Board meetings include regular meetings and ad hoc meetings. Regular meetings of the Board include: annual meeting, first quarterly meeting, half-yearly meeting 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 non-executive Directors of the Company have submitted their annual confirmation letters of 2010 in relation to their independence according to the requirements of the Listing Rules.

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

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

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

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

(d) CHAIRMAN AND PRESIDENT

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

The division of duties of the Board and the senior management is the same as what has been disclosed in the Corporate Governance Report of 2009.

(e) NON-EXECUTIVE DIRECTORS

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

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

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

(f) DIRECTORS' REMUNERATION

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

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

The operation of the Remuneration and Appraisal Committee under the Board of Directors did properly follow the Detailed Rules on the Work of the Remuneration and Appraisal Committee. The first meeting for 2010 was convened on 22 March 2010, at which the Report of Total Wage Expenses was reviewed and the Company's arrangement for the total wage in 2010. In the new financial year, the Remuneration and Appraisal Committee will carry out its work in a timely manner pursuant to the above rules on work according to the actual situation.

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

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Remuneration and Appraisal Committee of the Sixth Session of the Board of Directors in 2010	22 March 2010	Liu Guoyue, Xu Zujian, Shao Shiwei, Wu Liansheng	Liu Jipeng Liu Shuyuan, Zheng Jianchao

(g) NOMINATION OF DIRECTORS

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

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

(h) REMUNERATION OF AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were appointed as the international and domestic auditors of the Company for 2010, respectively. For the twelve months ended 31 December 2010, the total auditors' remuneration amounted to RMB36.45 million (including remuneration paid to other auditors in addition to that of principal auditors).

(i) AUDIT COMMITTEE

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

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

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

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

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

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

During the reporting period, the Audit Committee has held five meetings. As per Audit Committee's duties, the Audit Committee interviewed with the Company's legal advisor, external auditors, management and the relevant departments separately and exchanged ideas and communicated with them. With the understandings on the applicable laws and regulations of those jurisdictions in which the shares of the Company are listed, anti-fraud position in the Company, recruitment of staff, implementation and execution of internal control mechanism and audit work carried out by external auditors, the external auditors has rendered their views and opinion and made certain proposals. The meetings discussed and examined the audit working report of the Audit Department in 2009, the working plan and budget for auditing in 2010, the 2009 financial statements, the 2010 budget report, the 2009 profit distribution proposal, the proposal on appointment of external auditors, the financial report for the first quarter for 2010, the interim and the third quarter of 2010 respectively. The Audit Committee submitted to the Board of Directors a work report for the past year and examination reports done in the meetings.

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

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Sixth Session the Audit Committee in 2010	9 February 2010	Wu Liansheng, Liu Jipeng, Yu Ning, Zheng Jianchao, Shao Shiwei	–
Second meeting of the Sixth Session of the Audit Committee in 2010	22 March 2010	Wu Liansheng, Liu Jipeng, Yu Ning, Shao Shiwei	Zheng Jianchao
Third meeting of the Sixth Session of the Audit Committee in 2010	19 April 2010	Wu Liansheng, Liu Jipeng, Yu Ning, Zheng Jianchao, Shao Shiwei	–
Fourth meeting of the Sixth Session of the Audit Committee in 2010	9 August 2010	Liu Jipeng, Shao Shiwei	Wu Liansheng, Yu Ning, Zheng Jianchao
Fifth meeting of the Sixth Session of the Audit Committee in 2010	18 October 2010	Wu Liansheng, Liu Jipeng, Yu Ning, Zheng Jianchao, Shao Shiwei	–

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

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

The reporting responsibility statements made by the auditors of the Company in relation to the financial statements of the Company are set out in auditor's reports on page 101 to page 102 and page 219 to page 220.

(k) SENIOR MANAGEMENT'S INTEREST IN SHARES

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

(l) STRATEGY COMMITTEE

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

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

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

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

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

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

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

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

On 14 January 2010, the Strategy Committee considered and approved the Non-public issuance of the A Shares and H Shares by Huaneng Power International, Inc..

On 17 May 2010, the Strategy Committee considered and approved the Report on Classification, Prevention and Control Measures on Risk of Huaneng Power International, Inc. in 2010 which was approved after the examination by the Audit Committee of the Board of the Company on 9 August 2010.

On 22 November 2010, the Strategy Committee considered and approved the Risk Analysis Report of Huaneng Power International, Inc. for the first half of 2010.

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

Social Responsibility Report

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

This Report systematically summarizes the work of Huaneng Power International, Inc. (hereinafter referred to as the "Company") in 2010 in enhancing its economic responsibility, environmental responsibility, safety responsibility, staff responsibility, social responsibility and so on, with a view to giving a true presentation of the Company's fulfillment of social responsibilities in 2010, so as to promote the comprehensive and healthy development of the Company.

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

I. CORPORATE OVERVIEW AND CORPORATE GOVERNANCE

1. Corporate Overview

Established on 30 June 1994, the Company is principally engaged in the development, construction and operation of large power plants across the PRC with modern technology and equipment as well as domestic and overseas capital. In October 1994, the Company completed its global initial public offering of 1.25 billion overseas listed foreign invested shares ("foreign shares") and listing of 31.25 million American Depositary Shares ("ADS") on the New York Stock Exchange in the United States (ticker symbol: HNP). The Company's foreign shares were listed on The Stock Exchange of Hong Kong Limited (the "SEHK") by way of introduction (stock code: 902) in January 1998 and subsequently in March successfully completed its global placement of 250 million foreign shares and its private placement of 400 million domestic shares. The Company successfully issued 350 million A shares on the Shanghai Stock Exchange in November 2001, of which 250 million shares are public shares. In December 2010, the Company completed the non-public issuance of 1.5 billion ordinary shares denominated in RMB (A Shares) and 500 million overseas listed foreign shares (H Shares). At present, the Company has a total of approximately 14.06 billion shares in issue.

As at 31 December 2010, the Company's domestic controlling generation capacity and equity-based generation capacity amounted to 50,033 MW and 46,512 MW respectively. With wide coverage of power plants in 17 provinces, municipalities and autonomous regions in the PRC, the Company is currently one of the country's largest listed power producers. In addition, the Company has a wholly-owned power company in Singapore.

Since its establishment, the Company, as a power generation enterprise, has been committed to technology, system and management innovations. It has achieved various No.1s among the PRC industry players and completed various milestone projects in areas such as power technology advancement, power plant construction and management approach, which significantly facilitated the great-leap forward development of the power business and technological advancement of the power station equipment manufacturing industry in the PRC, and also significantly contributed to the improvement of management standards of the PRC power generation enterprises. At the same time, the Company actively promoted the industry synergy, enlarged the investment in coal, port and sea transportation, acquired 50% equity interest in Shanghai Time Shipping Co., Ltd.. At present, the investment development and construction in Jiangsu Taicong, Guangdong Xiamen and Fujian Luoyuanwan are in progress.

2. Corporate Governance

As a public company listed in three places within and outside the PRC, the Company has been consistently stressing the importance of corporate governance and has enhanced its corporate governance structure, which comprises the general meetings, the Board of Directors, the Supervisory Committee and the president. It has established an operating mechanism which allows the owners, the corporate legal persons and the operators to perform their respective responsibilities, implement checks and balances and coordinate with one another, so that the decision-making power of the Board of Directors over important matters and the supervision power of the Supervisory Committee can be effectively exercised to ensure the operation team can effectively deal with ordinary business affairs according to authorizations. At the same time of promoting system, mechanism and management innovations, the Company continuously strengthened management in a systematic, standardized and refined manner and strived to enhance the transparency of corporate governance standards, so as to create structure, mechanism and system protection for effective corporate governance and boost high-quality corporate governance on an ongoing basis. The Company is dedicated to treating all shareholders fairly to strive for the generation of long-term, stable and growing returns for shareholders. The Board of Directors of the Company won the "2010 Board of Directors Award" of the Shanghai Stock Exchange and the Sixth Asia Corporate Governance Award of *Corporate Governance Asia* by way of its good governance, scientific system construction, standardized operations and distinctive practice.

The Company stresses on the importance of information disclosure. The Company has established the Information Disclosure Committee which comprises the Vice President, the Chief Accountant and managers of all departments, and is responsible for examining the Company's regular reports. The Company has implemented the system of holding weekly information disclosure meetings chaired by the Vice President and the Chief Accountant who will report on the Company's important matters of the week, thereby warranting the Company's performance of the relevant information disclosure obligations. In 2010, the Company held 21 overseas press conferences and published 156 announcements within and outside the PRC to reinforce effective communications with the investors.

II. ECONOMIC RESPONSIBILITY OF THE COMPANY

The Company insisted to implement the annual performance indicators on the basis of high standards, different zones and different months focusing on consolidating and enhancing profitability. The Company strengthened planning, implementation and assessment of monthly performance. The Company highlighted the monthly key performance indicators of "three powers, four coals, five expenses" and strived to strengthen market sales, fuel management and financial control so as to warrant the realization of the full year operating objectives.

The Company emphasized the advantages of policy study, market research, organized commencement and coordinated resources, enhanced the role of the three regional power generation coordination groups and the three working groups of market strategy study, tariff and income increase and benchmarking, so as to give full play to the regional marketing function of branch companies to achieve unified action and coordination. The Company realized the "three excesses" objectives in power generation (power generation exceeding the annual plan, growth rate of power generation exceeding the nationwide average level, utilization hours of generators exceeding the nationwide thermal power average level) and the consolidated settlement tariff level was stable with some rises.

The Company thoroughly developed the "fuel management annual activities", highlighted the "closed cycle" and "effectiveness" of fuel management, improved regional distribution, broadened the coal import channels, strengthened mixed burning, refined management of coal yards, and realized centralization of direct supply and distribution for water coal power plants, so as to give full play to the scale purchase advantages of fuel companies so that fuel costs were effectively controlled.

The Company actively developed the "operation assessment year" activities, highlighted the consolidated analysis of various sections of the operation full value chain, reinforced the effectiveness awareness, screened and improved management inadequacies and effectively promoted the deficit control and turnaround work. On the basis of EVA value management, financial control was strengthened continuously, capital management and cost control were achieved with remarkable results and the asset management level was further enhanced.

III. SAFETY RESPONSIBILITY OF THE COMPANY

The Company has firmly established the philosophy of "people-oriented and safety development" and fully implemented the production safety accountability system at all levels. Focusing on the prevention of various personal injuries and equipment incidents, the Company vigorously launched the intrinsically safe year and outsourcing project management year activities. The Company has successively commenced the establishment of "intrinsically safe enterprises" in 23 power plants including Shantou and Taicang, meticulously organized and commenced large scale safety inspection covering all the units over a period of 4 months, thereby implementing stringent rectifications, further strengthening the production safety basis, further enhancing the reliability and utilization rates of generators and further enhancing the production safety protection ability.

In 2010, the Company did not incur any staff fatal accidents, serious equipment accidents or above, extraordinarily serious traffic accidents, environmental pollution accidents, or accidents which interrupted the safe operation of the power grids. The Company has maintained an overall stable situation of production safety. The Company incurred two general equipment accidents throughout the year, representing a decrease of three times as compared to the corresponding period of the previous year; 20 breakdowns, representing an increase of 2 times as compared to the corresponding period of the previous year. The average unplanned outage times were 0.36 time/unit annum, representing a decrease of 0.07 time/unit annum as compared to the corresponding period of the previous year. Dalian Power Plant and Yueyang Power Plant did not incur any unplanned outages throughout the year.

IV. ENVIRONMENT RESPONSIBILITY OF THE COMPANY

1. Energy Saving and Environmental Protection Objectives

During its development, the Company has strictly complied with the country's environmental regulations, actively fulfilled its environmental responsibilities, promoted technological innovations, enhanced resources utilization efficiency and actively established energy saving and environmental friendly coal-fired power plants. In 2010, the Company achieved all of its energy saving and environmental protection objectives, constructed 4 energy saving and environmental friendly coal-fired power plants, maintained its primary technical and economic indicators at the forefront both at domestic and international levels; the Company accomplished the annual objectives specified in the Letter of Three Energy Saving and Environmental Protection Responsibilities and the objectives of the "11th Five-Year Plan".

2. Energy Saving and Environmental Protection Measures

The Company established an energy saving and emissions reduction steering group headed by the President. The group held meetings regularly and was responsible for the overall coordination and promotion of energy saving and environmental protection. The Company continuously enhanced the relevant energy saving and emissions reduction system and operating mechanism, with the view of enabling continuous and steady progress of its energy saving and environmental protection efforts.

The Company thoroughly implemented the "Several Opinions Regarding Acceleration of Closing Down of Small Coal-fired Power Generating Units" issued by the State Council, seriously implemented the arrangement of "replacing small units with larger units" in the power industry nation-wide proposed by the energy saving and emissions reduction work conference, took further actions to phase out obsolete production capacity, and reduced resource consumption and pollutant emissions. In 2010, the Company closed down small units of 260 MW. As at the end of 2010, the Company had accumulatively closed down (dismantled) small units of 2,022.75 MW, exceeding that required in the Letter of Responsibility for Closing Down Small Coal-fired Power Generating Units for the 11th Five-Year Plan signed with the PRC Government.

The Company thoroughly developed activities on the improvement of energy consumption indicators of generating units, reinforced comprehensive benchmarking of energy consumption indicators, enhanced indicator analysis and improvement and strengthened energy saving and technical modifications, thereby maintaining its energy consumption indicators at the forefront among the industry players. The Company implemented cylinder synergy for 32 generating units throughout the year, of which the heat consumption rate of Dalian generating unit 4 decreased 204.8KJ/kWh and the coal consumption for power supply decreased 8.77 g/kWh after rectification.

The Company strengthened the operation and maintenance management of environmental protection equipment and managed and assessed the environmental protection equipment as if it were the main equipment, so as to ensure various pollutant emissions meet the relevant standards. The Company successfully passed the designated share placement environment protection verification and the annual total sulphur dioxide emissions reduction verification of the Ministry of Environmental Protection.

The Company has established and improved the technical standard management system and technical expert system, strengthened management of the technology project approval and development process, expedited the development process of technical preparations of effective and large generating units and demonstration projects, strengthened technical exchanges and cooperation with international industry players such as Japan and Russia in order to take up and draw on the their advanced technology. In 2010, the Company approved 55 technology projects. The planned amount for the projects of the year totalled RMB52.63 million.

3. Energy Saving and Environmental Protection Performance

In 2010, the Company achieved remarkable results in energy saving and environmental protection. It accomplished the annual objectives specified in the Letter of Three Energy Saving and Environmental Protection Responsibilities and the objectives of the "11th Five-Year Plan", without violating the environmental laws and regulations of the PRC.

In 2010, the Company consumed 113.23 million tons of raw coal and recorded an average coal consumption for power supply of 315.59 g/kWh, representing a decrease of 4.51 g/kWh as compared to the same period of the previous year.

In 2010, the coal-fired units of Company consumed 277.906 million tons of water, which was primarily derived from rivers, lakes, seas, groundwater, rainwater, and so on.

In 2010, the performance values of sulphur dioxide and nitrogen oxides for the year were 0.73 g/kWh and 1.69 g/kWh respectively, representing a decrease of 0.06 g/kWh and 0.02 g/kWh respectively as compared to the same period of the previous year.

V. STAFF RESPONSIBILITY OF THE COMPANY

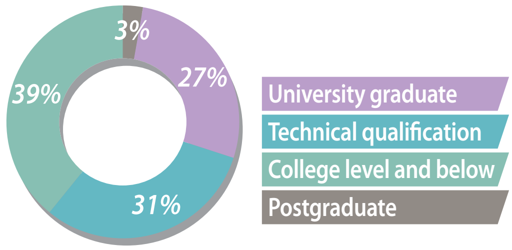
1. Protection of Staff Benefits

(1) Staff overview

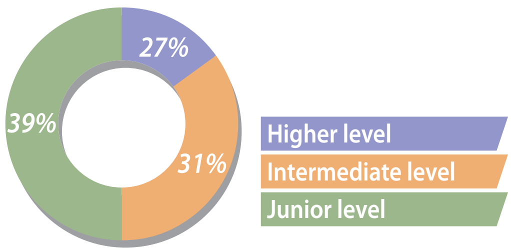
With the belief that human resources are the forefront important assets, the Company actively implements the strategy of developing the enterprise by talents, focuses on the tri-tasks of attracting, nurturing and making good use of talents, accelerates the establishment of a team with high-level and highly skilled talents as the core members. As a result, a team of talents which is well structured, professionally equipped, of excellent quality, devoted to careers in Huaneng and in line with the Company's developmental and strategic needs was formed.

As at the end of 2010, the Company had 33,811 employees, 61% of whom had tertiary qualifications and above. Intermediate and higher level professional technicians accounted for 50% of the total staffing with professional and technical qualifications.

Academic qualification structure of staff



Structure of professional technical staff



(2) Rights protection

The Company consistently implements a fair, just and open employment policy and endeavours to create a market-oriented employment mechanism. Leveraging on the implementation of the Employment Contract Law and the Regulation on the Implementation of the Employment Contract Law, the Company actively organizes courses on regulations such as the Employment Contract Law and the Regulation on the Implementation of the Employment Contract Law and legally signs employment contracts with all employees in order to further strengthen the management of employment contracts.

The Company focuses on the improvement of the Staff Representative Congress System and the Plant Affairs Publicity System, supports the staff's active participation in democratic management and guarantees the staff's full entitlement to the rights to be informed, participate, express and supervise. The Company improved the responsibility system for complaint handling and formulated the system and standards for staff's benefit claims.

All of the Company's affiliated enterprises have established trade unions in accordance with the Trade Union Law, and the staff's entry rate remained 100%. Trade unions at all levels seriously perform their duties, sign collective contracts with the enterprises on behalf of the staff, safeguard the staff's legal interests, encourage the staff to participate in management decision making, jointly accomplish the economic objectives of the enterprises, and assist in mediating disputes between the staff and the enterprises.

The Company attaches great importance to the staff's health and safety. All of its affiliated enterprises have established a protection mechanism for the staff's health and safety. The enterprises organize physical examinations for all staff annually and also special physical examinations for the staff who are exposed to the sources of occupational hazards.

(3) Incentives and protection

The Company further improved its remuneration allocation system, devised a series of remuneration management procedures in line with the overall strategies, standardized the pay system and criteria, and optimized the income allocation structure. Staff remuneration is determined in accordance with the principles of "determining salaries based on the position, receiving compensation based on performance, giving priority to efficiency and emphasizing fairness" and is linked to individual performance, establishing a scientific and effective incentive mechanism.

The Company actively promoted reform in corporate social security system, improved the basic retirement, medical and unemployment insurance systems, standardized the corporate annuity system, showed concern about the staff's production and living, actively organized "warmth and care delivery" activities, and provided support and help for staff in need.

2. Support for Staff Development

(1) Staff training

The Company emphasized training for all staff, took full advantage of Huaneng systematic training resources, strengthened the cooperation with external training organizations, developed multiple-level, multi-channel and multi-dimensional training, and strived to reinforce general competence of the staff. The major types of training include: orientation training, position training, skill training, continuing education and international cooperation training.

As at the end of 2010, the Company had 6 state-level talents, including one member of the "National Hundred, Thousand and Ten Thousand Talent Project" and 5 persons who enjoyed special government allowance. The Company had 9 national technical experts, 23 technical experts of central enterprises, and 19 technical experts of the power industry.

(2) Development opportunities

The Company emphasized the provision of growth opportunities to its staff so as to realize joint development of the staff and the enterprise. The Company accelerated the development of advanced organizations with "Quaternion Excellence", established the exchange and training system for cadres, reinforced the training of substitute cadres, and rejuvenated the cadres. The Company established an employment mechanism of "position competition and talent selection", and organized multi-level skill competitions and achievement evaluation activities so as to provide high caliber talents with opportunities to stand out.

The Company reinforced the establishment of technical expertise personnel teams, improved the technical expertise qualifications management system, properly selected technical experts and recommended senior technical personnel. The Company reinforced the establishment of technical personnel teams and newly established 6 skill evaluation stations where 79 persons passed the evaluation and 392 persons were promoted to occupational qualifications.

VI. SOCIAL RESPONSIBILITY OF THE COMPANY

The Company capitalized on the leading role in the culture of "three-colour" companies, insisted on sustainable development, serving the State, benefitting the community, actively assuming social responsibilities, creating a good internal and external environment, jointly promoting economic and social development with the relevant interested parties and sharing corporate development achievements in order to make contributions for the establishment of a harmonious socialist society.

The Company attaches great importance to power protection work. The power plants have formulated emergency work pre-arranged planning and management measures and implemented corresponding electricity safety security plan. The Company regularly conducted rehearsals in order to ensure safe and stable power generation during important periods including the Shanghai World Expo, Guangzhou Asian Games and Asian Para Games. The Company and its Shidongkou First Power Plant were awarded the title of "Honorary Group of Central Enterprises Participating in 2010 Shanghai World Expo" by the State-owned Assets Supervision and Administration Commission of the State Council. The Shanghai branch of the Company, Shidongkou First Power Plant, Shidongkou Second Power Plant, Haimen Power Plant and Shantou Power Plant were conferred the honorary title of "World Expo Power Protection Advanced Units" and "Asian Games and Asian Para Games Power Protection Work Advanced Units" by the State Electricity Regulatory Commission respectively.

The Company successfully completed the Transitional Power Project in Assisting to Rebuild Tibet and constructed the largest coal-fired power plant in Tibet (Lhasa Transitional Power Project) and a coal-fired power plant with the highest elevation above sea level in the world (A Li Transitional Power Project), both of which were highly appraised by governments at various levels.

The Company actively participated in social charity activities including new socialist village development, poverty alleviation, education assistance, charitable donations, and actively reciprocated the society and showed their care by means of innovative cooperative services. In 2010, the Company donated a total of RMB7,900,000 in its name to support local social charity.

In the future, the Company will continue to strive for the generation of long-term, stable and growing returns for shareholders; strive for the provision of adequate, reliable, environmental friendly for the society; strive for developing itself as a first-class listed power producer with leading technology, excellent management, reasonable distribution, optimized structure, industry synergy and remarkable efficiency.

29 March 2011

Investor Relations

PHILOSOPHY OF INVESTOR RELATIONS

Huaneng International always highly values the management of investor relations since its listing. The Company communicates with all investors in a wholehearted, equal and respectful manner through timely and diversified two-way channels, enhancing and perfecting the management of investor relations of the Company. In addition, the Company also values the two-way interactive communication of "disclosure" and "adoption". With its investors "Disclosure" – the Company discloses information including financial position and operating performance to investors accurately, fairly and comprehensively in a responsible manner, which helps investors to understand and recognize the current situation and future development strategy of the Company. "Adoption" – the Company has place multiple channels to collect opinions of investors to adopt suggestions and ideas related to its operating activities. Such two-way communication effectively improves the operation management ability of the Company and ultimately maximizes the interests of the Company as a whole and all shareholders.

INVESTOR RELATIONS WORK SYSTEM

- **Establishing meticulous organization and enhancing system development**

  The Company sets up special-purpose information disclosure organizations (Information Disclosure Committee and Information Disclosure Work Group) and holds routine information disclosure meetings every Monday, making clear the work flow for information disclosure of the Company and guaranteeing the compliance and time-effectiveness of information disclosure.

In the meantime, the Company has established the Measures on Information Disclosure Management, the Rules on Investor Relations Management and the Detailed Rules on the Work of the Information Disclosure Committees, setting out in detail the basic principle, targets and contents of disclosure. The issue and implementation of these regulations further improved the information disclosure system of the Company and enhanced the discipline of the Company's information disclosure.

In addition, the Company has also formulated the Internal Control System according to the relevant requirements of the state and Sections 302 and 404 of Sarbanes-Oxley Act of 2002, as well as prepared the Internal Control Handbook, further enhancing corporate governance and ensuring truthful, timely, accurate and complete information disclosure.

For purposes of further strengthening the management of insider information and confidentiality of the Company and to uphold the open, fair and equal principles in information disclosure, the Company has recently promulgated and implemented the Management Measures of Insider Information in October 2010 to provide further guidance and regulation on the implementation of management responsibilities of information disclosure by senior management personnel, and to enhance the regulation of the Company's operation and corporate governance standards. The preventive measures taken at source aim to reduce insider information trading activities and to protect the legal interests of investors.

Having established a complete and effective control system targeting the entire process of the Company's information disclosure, the Company has been able to control potential risks in information disclosure effectively and ensure that all information disclosed by the Company is regulated and effective for the last 15 years since its listing. With its timely, accurate and sufficient information disclosure, the Company has received recognition by domestic and overseas investors and won various awards granted by domestic and overseas investment institutions and professional institutions.

- **Expanding channels and effective communication**

In view of the different needs and nature of different investors – existing investors, potential investors, institutional investors and retail investors, the Company actively holds a variety of investor relations activities in various forms including telephone, emails, analyst conference, one-to-one meetings, investment forums, roadshows and reverse roadshows according to the characteristics of different investors, with a view to achieve all-round and effective communication and establish long-term and stable relations of mutual trust.

The Company handles daily calls and visits made by investors properly. By consistently updating and sorting out investor database, expanding the investor communication network of the Company, holding two-way interactive investor relations activities, the Company is able to enhance the understanding and knowledge of investors about the Company, adopt suggestions and ideas put forward by investors, create two-way communication channels and platforms for fluid communication with investors and maximize the interests of the Company and investors.

- **Timely disclosure and continuous follow-up**

The Company discloses information in a truthful, accurate, complete and timely manner strictly according to the requirements of the regulatory authorities of its listing places, increasing the transparency of and attention to the Company and enhancing the image of the Company in capital markets. In the meantime, the Company follows up feedbacks from investors consistently and ensures effective communication, with a view to establish stable investor relations.

The Company held 21 overseas press conferences and issued 156 overseas announcements in 2010.

NOTICE TO SHAREHOLDERS

- **Dividend distribution**

The Board resolved to propose for the year 2010 a dividend of RMB0.20 (inclusive of tax) per share. Dividends will be denominated and declared in Renminbi. 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, 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 RMB6.560250 and HKD1 to RMB0.841630 respectively. All the dividends payable to shareholders shall be subject to shareholders' approval at the annual general meeting of the Company.

DIVIDENDS

- **Dividend policy**

The Company maintains a positive, balanced and stable dividend policy, persistently increases its earning power, striving for realization of increasing returns to shareholders.

- **Declaration of dividends**

Since listing, Huaneng International has been given tremendous support and concern by shareholders. The Company has also rewarded shareholders with a persistent, stable and increased return over the years. The Company has been declaring dividends every year since 1998. The accumulate dividend paid amounted to RMB25.815 billion.

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%
2008	0.10	–0.33	
2009	0.21	0.41	51.22%
2010**	0.20	0.28	71.43%

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

** The profit distribution plan of the Company for 2010 will be implemented after the shareholders' approval is obtained at the annual general meeting scheduled to be convened on 17 May 2011.

INVESTOR RELATIONS ACTIVITIES HELD BY THE COMPANY

- **Press Conferences**

In 2010, the Company has organized one press conference in Hong Kong, one large-group presentation with Hong Kong investment analysts and fund managers, one large-group presentation with PRC investment analysts and fund managers, two global telephone conferences for the quarterly results and a global telephone conference for the results of the first half of the year.

- **Visits 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 2010, the management of the Company has attended 4 large investment forums in which they met nearly 100 institutional investors.

Report of the Board of Directors

The Directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2010.

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 2010.

For the twelve months ended 31 December 2010, the Company recorded operating revenue of RMB104.318 billion, representing an increase of 35.72% compared to the same period of the previous year, and net profit attributable to equity holders of the Company of RMB3.348 billion, representing a decrease of 32.08% as compared with the same period of 2009. Earnings per share amounted to RMB0.28. The Board is satisfied with the Company's performance last year.

The Board of the Company proposed to declare a cash dividend of RMB0.20 (inclusive of tax) for each ordinary share of the Company held by shareholders.

BUSINESS REVIEW OF YEAR 2010

In 2010, confronted with complicated operation environment, the management and all staff of the Company gathered strength and effectively overcame difficulties, made advances and diligently implemented the duties of providing sufficient, reliable and clean energy to the society. The Company had made progress on aspects of project development, emission reductions, energy saving, capital operation and corporate governance, etc. As regards overseas business, the operating results of Tuas Power in Singapore steadily advanced, thus making contributions to the profit of the Company.

1. Operating Results

For the twelve months ended 31 December 2010, the Company recorded a operating revenue of RMB104.318 billion, representing an increase of 35.72% compared to the same period of 2009. Net profit attributable to equity holders of the Company amounted to RMB3.348 billion, representing a decrease of 32.08% as compared with the same period of last year, with an earnings per share of RMB0.28.

As at the end of 2010, net assets per share amounted to RMB3.83, representing an increase of 9.74% over 2009.

The Audit Committee of the Company convened a meeting on 28 March 2011 and reviewed the 2010 annual results of the Company.

2. Power Generation

In 2010, the Company increased its sales efforts in the power market, thereby grasping the growth trend of the national economy and the favorable conditions for substantial increase in the national electricity demand, expanding various marketing channels and increasing power generation. At the same time, a number of new generating units commenced operation during the year, thereby contributing to the increase in market share. As a result, the total domestic generation of the operating power plants of the Company in China amounted to 257 billion kWh in 2010, an increase of 26.25% over the same period last year. The accumulated electricity sold amounted to 241.8 billion kWh. The annual average utilization hours of the Company's coal-fired generating units reached 5,564 hours, representing 533 hours above the average rate of the coal-fired generating units in China.

In 2010, the accumulated power generation of Tuas Power Ltd. in Singapore accounted for a market share of 24.7%, representing an increase of 0.4 percentage point compared to the same period of the previous year.

3. Cost Control

In 2010, the condition of fuel supply was relatively complicated. Through reinforcement in communication and coordination with major contracted suppliers, the Company had effectively stabilized the major channels in the coal supply. At the same time, through expansion in the force for imported coal, active utilization of the internal available resources of China Huaneng Group ("Huaneng Group"), the Company had been able to fully utilized the economies of scale and management advantages, thereby effectively controlled the costs in fuel purchases. The unit fuel cost of power sold of the Company's domestic power plants was RMB247.49 per MWh in 2010, representing an increase of 14.72% from the previous year.

4. Energy Saving and Environmental Protection

As a power company primarily engaged in coal-fired power generation, the Company has all along placed utmost duties in power saving and emission reductions. In 2010, the Company had successfully achieved the target of power saving and emission reductions set in the eleventh five-year plan. All current coal-fired generating units have been installed with flue-gas desulphurization operating device. Part of the units have been installed with denitrification operating device.

The average equivalent availability ratio of the Company's domestic power plants was 95.09%. The average coal consumption rate for the power generated by the Company's coal-fired generating units in 2010 was 297.54 grams/kWh, 3.54 grams/kWh lower than that of the same period of the previous year. The average coal consumption rate for power sold was 315.59 grams/kWh, representing a decrease of 4.51 grams/kWh as compared to the same period last year and 22.6 grams/kWh lower than the average level nationwide. The weighted average house consumption rate was 5.1%. The technical and economic indicators of the Company are maintained at a leading level in the PRC.

5. Project Development

Construction of power generating projects of the Company progressed smoothly. In 2010, the newly acquired generating units by the Company that commenced operation included two coal-fired generating units (600 MW) at Gansu Pingliang Power Plant, and one coal-fired generating unit (600 MW) at Fujian Fuzhou Power Plant, which in aggregate increased the controlling generating capacity by 1,800 MW. In January 2011, one coal-fired generating unit (600 MW) at Hunan Yueyang Power Plant, Phase I Project of Hebei Kangbao Wind-Power Plant (with a total generation capacity of 49.5 MW) and the first stage of the Phase II Project of Jiangsu Qidong Wind-Power Plant (with a total generation capacity of 50 MW) of the Company had respectively completed trial run. In addition, the installed generating capacity of some investee power generation companies has changed, the Company has carried out technological improvement to existing generating units and closed down small generating units. All these together further led to change in the installed generating capacity of the Company. As at 29 March 2011, the Company's total controlling generation capacity was 54,402 MW, while the equity-based generation capacity was 50,935 MW.

The preliminary work of planned projects of the Company also progressed smoothly.

6. Capital Operation

In 2010, capital operation of the Company realized new breakthroughs and the development momentum was further enhanced. The Company successfully completed the new issue of 1.5 billion A shares and 500 million H shares and completed the single largest equity refinancing by domestic listed power companies. Through the new issue, the Company improved its asset structure, increased its capital strength and laid the foundation for expanding the development space. Through the new issue, Huaneng Group confirmed that the Company is the only platform for the ultimate integration of the conventional energy business of Huaneng Group and further clarified the position and development objectives of the Company in the capital markets. With the completion in the acquisition of 50% equity interest of Shanghai Time Shipping and 30% equity interest of Hainan Nuclear Power during the year, the Company entered into the shipping and nuclear power arenas. The acquisition of the related assets of ShanDong Electric Power Corporation and ShanDong Luneng Development Group Company Limited has recently become effective and following the completion of the acquisition of Liaoning Suzihe Hydropower Project (37.5 MW) in early 2011, the Company entered for the first time the hydropower market in Liaoning Province which was instrumental in improving the Company's power structure in Liaoning Province.

7. Overseas Business

In 2010, Tuas Power in Singapore maintained stable operation of the generating units and seized market opportunities to continuously enhance the operating results and realized pre-tax profits of RMB853 million for the whole year, representing an increase of 16.8% as compared to the corresponding period of the previous year.

8. Corporate Governance

In 2010, the Board of the Company won various honours by way of good governance, scientific system construction, disciplined operation and distinctive implementation: the Company won various awards: the "2010 Board of Directors Award" granted by the Shanghai Stock Exchange and the Sixth Asia Corporate Governance Award granted by magazine Asia Corporate Governance. It ranked 27th on the PRC listed company list of Fortune 500 (Chinese edition) and became the only listed company in the PRC's power industry to enter the Top 30. It ranked 102nd in the 2010 Platts Energy Information Global Energy Enterprises (Listed Companies) 250 and ranked 7th in the category of global independent power producers and energy traders.

PROSPECTS FOR 2011

In 2011, due to the profound impact of the international financial crisis, China faces various new challenges including maintaining a stable and relatively rapid economic development, managing inflation expectations and adjusting economic structures. Certain unstable and uncertain factors still exist.

Regarding the power market, along with the in-depth development of China's industrialization, informatization, urbanization and marketization, huge potentials of the domestic market and long-term growth of the macro economy, the long-term growth trend of power demand for the whole society will remain unchanged. However, the short-term uncertainty of the national economy will affect the continued rapid growth of power demand, thereby affecting the operating efficiency and development pace of the Company. At the same time, during the course of the advancement of power system reform, corresponding tariff mechanism reform is lagging behind which will bring about uncertainty to the Company's operation.

Regarding the coal market, the current scale and location advantages of the Company are conducive to consolidate and enhance the ability to obtain stable coal resources and boost the Company's strength amid the ever-changing operating environment. However, due to the impact of various factors, including rise of international coal prices, great demand for domestic coal, extreme weather and transportation bottleneck constraint, coal prices remain at high levels and there is still a possibility of tight coal supply during certain periods in some regions which will bring about new challenges to the stable fuel supply, control of fuel costs and enhancement of coal-electricity efficiency by the Company.

Regarding the capital market, adjustment of the State currency policy, tightening and strengthened control of the overall capital supply and continued rises of interest rates will bring about an adverse impact on the growth of the nationwide fixed asset investment and power demand, thereby posing new challenges to the protection of capital supply and reduction of funding costs by the Company.

In 2011, the main tasks of the Company are to further consolidate and enhance profitability, gather strength to create efficiency and work hard through innovations in a pioneering spirit and strive to lead in the market on the basis of scientific development and accelerated change in development mode focusing on the enhancement of economic efficiency. The Company will ensure safe and stable production, seize market opportunities, consolidate and enlarge the market share and strive to achieve the annual power generation of the Company's domestic power plants to approximately 315 billion kWh and achieve the coal-fired generating unit utilization hours of the Company to 5,500 hours. The Company will expedite the construction and improvement of coal storage and transit shipment and the transportation supply protection system, actively expand fuel supply channels, strive to enhance coal protection ability, enhance the synergy of its sea transportation ability and resources, enhance fuel cost management and strive to reduce fuel costs, control production costs strictly, tap potentials and increase efficiency. The Company will continue to push forward energy saving and environment protection work, keep reducing energy consumption levels and keep major economic and technical indicators positive, enhance the management of projects in progress, continuously enhance the operation of new generating units, accelerate the change of development mode, consolidate and optimize geographical location and increase the ability of the Company in sustainable development. In accordance with the guidance of the government on energy policies, the Company will accelerate the construction of large-scale thermal power bases, accelerate the construction of co-generation projects, speed up the development of coal and power integration projects, actively push forward the development of natural gas and wind power projects, actively seek to invest, develop and construct hydropower, nuclear power and solar energy power generation projects, so as to make the Company stand out as a first-rate listed power company that boasts prominent edges in terms of cutting-edge technology, excellent management, reasonable geographical location, optimized structure, industry synergy, remarkable economic efficiency, simultaneous development of coal-fired power generation and clean energy power generation, excellent corporate governance and market value.

SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to the Financial Highlights on page 14 for summary of the operating results and assets and liabilities of the Company and its subsidiaries as at 31 December 2010 and for the accounting year then ended.

Please refer to pages 103 to 104 and page 223 of the financial statements for the operating results of the Company and its subsidiaries for the accounting year ended 31 December 2010, which have been reviewed by the Company's Audit Committee.

DISTRIBUTABLE RESERVE

Distributable reserve of the Company as at 31 December 2010, calculated in accordance with its Articles of Association is set out in Note 20 to the financial statements prepared under International Financial Reporting Standards ("IFRS").

DIVIDENDS

Since the listing of the Company, shareholders have given great support to and cared much for the Company. The Company has also generated returns that have been growing continuously and steadily over the years. The Company has been paying dividends to shareholders every year since 1998, with an accumulated dividend of RMB25.815 billion paid.

In the future, the Company will continue to follow a proactive, balanced and stable dividend policy, keep increasing its profitability and achieve continuous growth of return on equity.

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 net profit attributable to the equity holders of the Company in the financial statements prepared under the PRC Accounting Standards and the International Financial Reporting Standards.

The Company proposed to declare a cash dividend of RMB0.20 (inclusive of tax) for each share to all shareholders for the year 2010. All dividend will be paid after the shareholders' approval is obtained at the annual general meeting of the Company scheduled to be convened on 17 May 2011.

In accordance with the Corporate Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay corporate 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 final 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, corporate income tax shall be withheld from dividends payable to such shareholder(s).

During the reporting period, there was neither change in the Company's accounting estimates, nor was there any correction of material accounting errors. Please refer to Note 2 to the financial statements prepared under IFRS for details of relevant new standards, amendments to standards and interpretations adopted by the Company and its subsidiaries effective from the financial year beginning 1 January 2010.

PRINCIPAL BUSINESS

The domestic power plants of the Company and its subsidiaries are located in 18 provinces, provincial-level municipalities and autonomous regions. The Company also has a wholly-owned power plant in Singapore. The core business of the Company is to develop, construct and operate large scale power plants throughout the country by making use of modern technology and equipment and financial resources available domestically and internationally. The power plant facilities of the Company are technically advanced, highly efficient and stable.

SUBSIDIARIES AND ASSOCIATES

Please refer to Notes 9 and 8 to the financial statements prepared under the IFRS for details of the Company's subsidiaries and associates respectively.

BONDS

During the year, the Company issued RMB10 billion short-term bonds in meeting its operational needs.

BANK LOANS AND OTHER BORROWINGS

Please refer to Notes 22 and 28 to the financial statements prepared under the IFRS for details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2010.

CAPITALIZED INTERESTS

Please refer to Note 7 to the financial statements prepared under the IFRS for details of the capitalized interests of the Company and its subsidiaries during the year.

PROPERTY, PLANTS AND EQUIPMENT

Please refer to Note 7 to the financial statements prepared under the IFRS for details of properties, plants and equipment of the Company and its subsidiaries during the year.

RESERVES

Please refer to the consolidated statement of changes in equity prepared under the IFRS on pages 107 to 108 for the details of statutory reserves of the Company and its subsidiaries.

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 2010 were China Shenhua Energy Company Limited, Shanxi Guoyang New Energy Joint Stock Company, Inner Mongolia Yitai Group Co., Ltd., China Coal Energy Company Limited and Gansu Province Huating Coal Co., Ltd., respectively. The total purchase from them amounted to approximately RMB12.458 billion, representing approximately 17.93% of the total coal purchase of the year.

As a power producer, the Company sells the electricity generated by its power plants through local grid operators only and has no other customers. The five major customers of the Company and its subsidiaries for the year 2010 were JiangSu Electric Power Company, ShanDong Electric Power Corporation, Singapore Energy Market Company Pte. Ltd., ZheJiang Electric Power Corporation and Liaoning Province Power Corporation. The five customers accounted for approximately 50.14% of the total operating revenue for the year while the largest customer (JiangSu Electric Power Company) accounted for approximately 12.88% of the operating revenue.

None of the directors, supervisors and their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) had any interests in the five major suppliers and customers of the Company mentioned above in 2010.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

The following are the major continuing connected transactions and connected transactions of the Company in 2010 according to the requirements of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

1. Continuing Connected Transactions with Huaneng Group and HIPDC

The major 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 11.16% 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 3.70% of the issued shares of the Company. In addition, Huaneng Group holds 51.98% direct interest and a 5% indirect interest in HIPDC which in turn holds 36.05% 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 Listing Rules. The purposes of the Company to enter into such continuing connected transactions with those connected persons were to meet the operational needs 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 and circular of the Company dated 22 October 2008 and 7 November 2008, announcement and circular dated 21 October 2009 and 6 November 2009, and the revision to the cap of Company's certain continuing connected transactions are set out in the announcement of the Company dated 20 October 2010 and the announcement dated 31 December 2010. Particulars of which are summarized as follows:

(i) Huaneng Group Framework Agreement entered into between the Company and Huaneng Group on 20 October 2009 (as revised by a supplemental agreement dated 19 October 2010) for a term commencing on 1 January 2010 and expiring on 31 December 2010. Pursuant to the framework agreement, the Company would conduct the following transactions with Huaneng Group and its subsidiaries and associates on an ongoing basis:

- Purchase of ancillary equipment and parts for the purpose of renovation and maintenance, at terms and the prices to be negotiated at arm's length terms, taking into account the then prevailing market conditions; but in any event at the terms and prices no less favourable than those offered to the Company by independent third parties for the same or similar type of ancillary equipments and parts. In addition, the payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement.

  For the year ended 31 December 2010, the annual cap of the purchase of ancillary equipment and parts was RMB1.625 billion. The actual transaction amount as at 31 December 2010 was RMB697.716 million.

- Purchase of coal and transportation services for power generation, 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 terms of the purchase of coal and the transportation service shall be no less favourable than those offered by independent third parties to the Company for the same or similar type of coal supply or transportation services. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement.

For the year ended 31 December 2010, the annual cap of the purchase of coal and transportation was RMB8.347 billion. The actual transaction amount as at 31 December 2010 was RMB6,476.816 million.

Sale of products (mainly imported coal) to be more cost-efficient in management, at the prices and charges of which are 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 terms of the purchases of coal and the related products shall be no less favourable than those offered by independent third parties to the Company for the same or similar type of coal supply and the related products services. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties pursuant to the framework agreement.

For the year ended 31 December 2010, the annual cap of the sale of products was RMB1.28 billion. The actual transaction amount as at 31 December 2010 was RMB997.296 million.

- Leasing of facilities, land and office spaces (mainly power transmission and transliteration assets, power plants and power office spaces) for operational needs, at terms and prices to be negotiated at arm's length terms, taking into account the then prevailing market conditions; but in any event at the leasing terms and prices no less favourable than those offered to the Company by independent third parties for the same or similar type of facilities, land and office spaces. In addition, the payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement.

  For the year ended 31 December 2010, the annual cap of the leasing of power transmission facilities, land and office spaces was RMB248 million. The actual transaction amount as at 31 December 2010 was RMB216.667 million.

- Purchase of technical services and engineering contracting services for the Company's operation and production needs, at terms and prices to be negotiated at arm's length terms, taking into account the then prevailing market conditions; but in any event at the terms and prices no less favourable than those offered to the Company by independent third parties for the same or similar type of technical services and engineering contracting services. In addition, the payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement.

  For the year ended 31 December 2010, the annual cap of the purchase of technical services and engineering contracting services was RMB587 million. The actual transaction amount as at 31 December 2010 was RMB254.989 million.

Provision of entrusted sale services (involving mainly the use of power generation quota of Huaneng Group and its subsidiaries and associates for substituted power generation by the Company), at the terms and prices negotiated at arm's length terms, taking into account the then prevailing market conditions; but in any event at the terms and prices no less favorable than those offered to the Company by independent third parties for the same or similar type of services. The payment of the consideration will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contracts to be entered into pursuant to the framework agreement.

For the year ended 31 December 2010, the annual cap of the provision of entrusted sale services was RMB941 million. The actual transaction amount as at 31 December 2010 was RMB7.685 million.

(ii) Huaneng Finance Framework Agreement entered into between the Company and China Huaneng Finance Corporation Limited ("Huaneng Finance") on 21 October 2008 for a term of three years commencing on 1 January 2009 and expiring on 31 December 2011. Each of Huaneng Group and the Company holds 51% and 20% equity interests in Huaneng Finance, respectively.

Pursuant to the Huaneng Finance Framework Agreement, the Company would from time to time place deposits with Huaneng Finance at rates which would be no less favourable than those offered by independent third parties for provision of similar services to the Company. As no security over the assets of the Company is granted in respect of the note discounting services and loan advancement services provided by Huaneng Finance, such transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

For the period from 1 January 2009 to 31 December 2011, the outstanding balances of the deposits to be placed with Huaneng Finance on a daily basis would not exceed RMB6 billion. For the year ended 31 December 2010, the maximum balances of deposits placed with Huaneng Finance was RMB5,662.054 million.

(iii) On 30 December 2010, the Company entered into a framework agreement with Alltrust Insurance Company of China Limited ("Alltrust Insurance") for a term expiring on 31 December 2010. Huaneng Group holds a 20% equity interest in Alltrust Insurance. However, during 2010, Huaneng Group will consolidate Alltrust Insurance in its financial reports and will deem it as its controlled entity. Accordingly, Alltrust Insurance will be treated as a connected person of the Company.

Pursuant to the framework agreement, the Company will obtain insurance products/services from Alltrust Insurance through bidding process. The prices and the terms with respect to the products provided by Alltrust Insurance are negotiated at arm's length terms, taking into account the bidding terms of the then prevailing market conditions; but in any event at the terms and prices no less favorable than those offered to the Company by an independent third party for the same or similar type of product services.

For the year ended 31 December 2010, the aggregate of the insurance premiums payable by the Company to Alltrust Insurance will not exceed RMB200 million. The actual transaction amount as at 31 December 2010 was RMB138.208 million.

2. Continuing Connected Transactions with Tianjin Jin'an

On 20 October 2009, the Company's non-wholly owned subsidiary Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company ("Yangliuqing Co-generation Power Plant") entered into a Heat Sale Framework Agreement with Tianjin Jin'an Co-generation Power Company Limited ("Tianjin Jin'an") (as revised by a supplemental agreement dated 19 October 2010) for a term expiring on 31 December 2010.

The Company holds a 55% interest in Yangliuqing Co-generation Power Plant, and the remaining 45% interest is held by Tianjin Municipal Jinneng Investment Corporation ("Tianjin Jinneng"). Tianjin Jin'an is a subsidiary of Tianjin Jinneng. Accordingly, the heat supply transactions between Yangliuqing Co-generation Power Plant and Tianjin Jinneng and its subsidiaries and associates constitute continuing connected transactions of the Company.

Pursuant to the Heat Sale Framework Agreement, the fees charged by Yangliuqing Co-generation Power Plant for the sale of heat are subject to the approval by Tianjin Municipal Bureau of Price Management.

For the year ended 31 December 2010, the annual cap of the transaction amount for the revenue from the sale of heat by Yangliuqing Co-generation Power Plant to Tianjin Jin'an was RMB148 million. The actual transaction amount as at 31 December 2010 was RMB110.195 million.

3. Continuing Connected Transactions with Temasek and its subsidiaries and associates

Upon the completion of the acquisition of SinoSing Power Pte. Ltd. by the Company, TPGS Green Energy Pte. Ltd. became an indirect non-wholly owned subsidiary of the Company of which 75% is owned by Tuas Power Ltd., an indirect wholly-owned subsidiary of the Company, and the remaining 25% is owned by Gas Supply Pte. Ltd., which is a subsidiary of Temasek Holdings (Private) Limited ("Temasek").

Temasek therefore became a substantial shareholder of a subsidiary of the Company and a connected person of the Company and certain on-going transactions between subsidiaries of the Company and associates of Temasek ("Ongoing Transactions with associates of Temasek") became continuing connected transaction of the Company under the Listing Rules.

Having considered Rules 14A.31(10) and 14A.33(5) effective 3 June 2010, the Company considers that Temasek meets the criteria for a passive investor under Rule 14A.31(10)(b) of the Listing Rules. As such, any connected transactions or continuing connected transactions of a revenue nature in the ordinary and usual course of our business and on normal commercial terms with an associate of Temasek will be exempt from reporting, annual review, announcement and independent shareholders' approval requirement under the Listing Rules. This exemption will be applicable to, amongst other things, the types of Ongoing Transactions with associates of Temasek.

If the exemption is no longer applicable in relation to the Ongoing Transactions with associates of Temasek, the Company will comply with the applicable reporting, annual review, announcement and independent shareholders' approval requirements.

CONNECTED TRANSACTIONS

4. Acquisition of Time Shipping Interest and Hainan Nuclear Interest

On 1 December 2010, the Company entered into the (i) Time Shipping Interest Transfer Agreement with Huaneng Energy & Communications Holdings Co., Ltd. ("HEC"), which is a wholly owned subsidiary of Huaneng Group; and (ii) Hainan Nuclear Interest Transfer Agreement with Huaneng Group. HEC and Huaneng Group are connected persons to the Company.

Pursuant to the Time Shipping Interest Transfer Agreement, the Company acquired a 50% interest in Shanghai Time Shipping Co., Ltd ("Time Shipping") from HEC ("Time Shipping Interest") at a consideration of RMB1.058 billion, which was determined on arm's length negotiations and was funded by the Company's internal cash surplus. Following completion of the acquisition, the loan guarantee in an aggregate amount of not exceeding US$43 million (equals to approximately RMB286 million) previously provided by HEC to Time Shipping would be assumed by the Company.

Pursuant to the Hainan Nuclear Interest Transfer Agreement, the Company acquired a 30% interest in Hainan Nuclear Power Co., Ltd. ("Hainan Nuclear") from Huaneng Group ("Hainan Nuclear Interest") at a consideration of RMB0.174 billion, which was determined on arm's length negotiations and was funded by the Company's internal cash surplus.

The acquisition is part of the implementation of Huaneng Group's undertaking made to the Company that will become the only platform for the ultimate integration of Huaneng Group's conventional energy businesses, which is beneficial to the Company for optimizing the structure of the power generating assets and further extending to the upstream business and enhancing coal storage and transportation capacity.

5. Issue of New A Shares and New H Shares

On 15 January 2010, the Company entered into the A Shares Subscription Agreement (as revised or supplemented by the Supplemental Agreement to the A Shares Subscription Agreement of 26 July 2010) with Huaneng Group for subscription of 500 million new A Shares in the Company at the subscription price of not less than RMB5.57 per new A Share. Concurrently, on 15 January 2010, the Company entered into the H Shares Subscription Agreement (as revised or supplemented by the Supplemental Agreement to the H Shares Subscription Agreement of 26 July 2010) with China Hua Neng Group Hong Kong Limited ("Hua Neng HK"), a wholly-owned subsidiary of Huaneng Group, for subscription of 500 million new H Shares in the Company at the subscription price of not less than HK$4.73 per new H Share.

As Huaneng Group and Hua Neng HK are connected persons to the Company, the transactions constitute connected transaction for the Company under the Listing Rules. For information about the principal terms of the transactions, please refer to the announcements of the Company dated 18 January 2010, 27 July 2010, 29 December 2010 and the circulars of the Company dated 29 January 2010 and 6 August 2010.

The Independent Directors of the Company confirmed that the continuing connected transactions in item 1 above to which the Company was 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 (i) 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 (ii) where there was no available comparison, on terms that were fair and reasonable so far as the shareholders of the Company were concerned; and

3. had been entered into either (i) in accordance with the terms of the agreements governing such transactions, or (ii) where there was no such agreement, on terms no less favorable than terms available from third parties.

Further, the Company has engaged its external auditor to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out in items 1 and 2 above in accordance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

Several related party transactions as disclosed in note 34 to the financial statements prepared in accordance with IFRS fall under the definition of "continuing connected transaction" in Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

BUSINESS COMPETITION WITH CONTROLLING SHAREHOLDERS

The ultimate controlling shareholder of the Company, Huaneng Group, is also engaged 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 power plants.

On 17 September 2010, the Company received an undertaking from Huaneng Group regarding further avoidance of business competition. On the premises of continuing the undertaking previously provided, Huaneng Group further undertook that: (1) it shall treat the Company as the only platform for integrating the conventional energy business of Huaneng Group; (2) with respect to the conventional energy business assets of Huaneng Group located in Shandong Province, Huaneng group undertakes that it will take approximately 5 years to improve the profitability of such assets and when the terms become appropriate, it will inject those assets into the Company. The Company has a right of first refusal to acquire from Huaneng Group the newly developed, acquired or invested projects which are engaged in the conventional energy business of Huaneng Group located in Shandong Province; (3) with respect to the other non-listed conventional energy business assets of Huaneng Group located in other provincial administrative regions, Huaneng Group undertook that it will take approximately 5 years, and upon such assets meeting the conditions for listing, to inject such assets into the Company; and (4) Huaneng Group will continue to perform each of its undertakings to support the development of its subordinated listed companies.

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

The Company and its subsidiaries did not sell any shares or other securities of the Company and did not purchase or redeem any shares or other securities of the Company in 2010.

DIRECTORS OF THE COMPANY

The Directors of the Company in 2010 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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

On 31 March 2009, the Company's Board considered and approved the Amended 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 2010.

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

For the year ended 31 December 2010, none of the Directors, Chief Executives, Supervisors of the Company or their respective associates had any interests in the shares of 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 2010, none of the Directors, Chief Executives, Supervisors, senior management of the Company or their spouses and children under the age of 18 was given the right to acquire any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO).

INDEPENDENT DIRECTORS' CONFIRMATION OF INDEPENDENCE

Each of the independent directors of the Company, namely Mr. Liu Jipeng, Mr. Yu Ning, Mr. Shao Shiwei, Mr. Zheng Jianchao and Mr. Wu Liansheng, has signed a confirmation letter on 28 March 2011 to confirm his compliance with the relevant requirements regarding independence under the Listing Rules and the Company 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 36 to the financial statements prepared under the IFRS.

THE FIVE HIGHEST PAID STAFF

Details of the five highest paid staff in the Company are set out in Note 36 to the financial statements prepared under the IFRS.

PUBLIC FLOAT

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

STRUCTURE OF SHARE CAPITAL

As at 31 December 2010, the entire issued share capital of the Company amounted to 14,055,383,440 shares, of which 10,500,000,000 shares were domestic shares, representing 74.70% of the total issued share capital, and 3,555,383,440 shares were foreign shares, representing 25.30% of the total issued share capital of the Company. In respect of domestic shares, Huaneng International Power Development Corporation ("HIPDC") owned a total of 5,066,662,118 shares, representing 36.05% of the total issued share capital of the Company while China Huaneng Group held 1,568,001,203 shares, representing 11.16% of the total issued share capital of the Company. Other domestic shareholders held a total of 3,865,336,679 shares, representing 27.49% of the total issued share capital.

MAJOR SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholdings of the top ten shareholders of the Company as at 31 December 2010:

Names of shareholders	No. of Shares held as at the year end	Percentage of Shareholding (%)
Huaneng International Power Development Corporation	5,066,662,118	36.05
HKSCC Nominees Limited	2,504,178,156	17.82
China Huaneng Group	1,568,001,203	11.16
Hebei Construction & Investment Group Co., Ltd.	603,000,000	4.29
China Hua Neng Group Hong Kong Limited	520,000,000	3.70
HSBC Nominees (Hong Kong) Limited	480,947,400	3.42
Liaoning Energy Investment (Group) Limited Liability Company	422,679,939	3.01
Jiangsu Provincial Investment & Management Limited Liability Company	416,500,000	2.96
Fujian Investment Enterprise Holdings Company	374,466,667	2.66
Dalian Municipal Construction Investment Company Limited	301,500,000	2.15

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

As at 31 December 2010, 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 share capital	Percentage in total of share capital
HIPDC #	Domestic Shares	5,066,662,118 (L)	Beneficial owner	Corporate	48.25% (L)	36.05% (L)
China Huaneng Group #	Domestic Shares	1,568,001,203(L)	Beneficial owner	Corporate	14.93%(L)	11.16% (L)
	H Shares	520,000,000 (L)	Beneficial owner	Corporate	14.63%(L)	3.70% (L)
Hebei Construction & Investment Group Co., Ltd.	Domestic Shares	603,000,000 (L)	Beneficial owner	Corporate	5.74% (L)	4.29% (L)

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

As at 31 December 2010, Huaneng Group holds 51.98% equity interest in HIPDC. 520,000,000 H Shares are held by China Huaneng Group through its wholly owned subsidiary, Hua Neng HK.

Save as stated above, as at 31 December 2010, 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' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Save for the service contracts mentioned below, as at the end of 2010, the directors and supervisors of the Company did not have any material interests in any contracts entered into by the Company.

No director and 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 remuneration management system including the "Provisional Regulations on Remuneration Management". 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 the Directors, Supervisors and senior management of the Company mainly consists of the following:

(1) Basic salaries and allowances

The basic salary is mainly 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 35% of the total remuneration.

(2) Discretionary bonus

Discretionary bonus is based on the performance of the Directors, Supervisors and senior management. It accounts for about 55% of the total remuneration.

(3) Pension

The Directors, Supervisors and senior management enjoy various social insurances established by the Company, including basic pension insurance, corporate annuity and housing fund. This pension contribution accounts for about 10% of the total remuneration.

According to the resolution at the general 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 general meetings and other reasonable expenses they incur while fulfilling their obligations under the Company Law and the Company's 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 the employees of the Company and its subsidiaries in accordance with the relevant PRC regulations.

DISPOSAL OF STAFF QUARTERS

According to the relevant PRC regulations, the Company has not provided welfare quarters to its staff.

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.

RETIREMENT SCHEMES

The Company and its subsidiaries have implemented a series of specified retirement contribution schemes based on the local conditions and policies of 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 contracted terms and obligations set out in the publicly administered retirement insurance plans. The Company has no other obligations to pay further contributions after paying the prescribed contributions. The contributions payable from time to time will be regarded as expenses in the period during the year they are made and accounted for as labor cost.

GENERAL MEETINGS

During the reporting period, the Company convened one annual general meeting, two extraordinary general meetings and two meetings for each of the A Shareholder Class Meeting and the H Shareholder Class Meeting.

1. The Company's annual general meeting was held on 22 June 2010. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 23 June 2010.

2. The Company's first extraordinary general meeting of 2010 was held on 16 March 2010. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 17 March 2010.

3. The Company's 2010 First Class Meeting of Holders of A Shares was held on 16 March 2010. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 17 March 2010.

4. The Company's 2010 First Class Meeting of Holders of H Shares was held on 16 March 2010.

5. The Company's second extraordinary general meeting of 2010 was held on 10 September 2010. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 13 September 2010.

6. The Company's 2010 Second Class Meeting of Holders of A Shares were held on 10 September 2010. The resolutions passed at the meeting were published in China Securities Journal and Shanghai Securities News on 13 September 2010.

7. The Company's 2010 Second Class Meeting of Holders of H Shares were held on 10 September 2010.

DISCLOSURE OF MAJOR EVENTS

1. On 31 December 2009, the Company entered into an Equity Interest Transfer Agreement with ShanDong Electric Power Corporation and ShanDong Luneng Development Group Company Limited. Pursuant to the Transfer Agreement, the Company would acquire: 100% equity interest in the registered capital of Yunnan Diandong Energy Limited Company, 100% equity interest in the registered capital of Yunnan Diandong Yuwang Energy Limited Company, 100% equity interest in the registered capital of ShanDong Zhanhua Co-generation Limited Company, 100% equity interest in the registered capital of Jilin Luneng Biological Power Generation Limited Company, 60.25% equity interest in the registered capital of Fujian Luoyuanwan Luneng Harbour Limited Liability Company, 58.3% equity interest in the registered capital of Fuzhou Port Luoyuanwan Pier Limited Liability Company, 73.46% equity interest in the registered capital of Luoyuan Luneng Ludao Pier Limited Liability Company, 100% equity interest in the registered capital of Qingdao Luneng Jiaonan Port Limited Company, 53% equity interest in the registered capital of ShanDong Luneng Sea Transportation Limited Company, project development rights in Rizhao Lanshan 4x660 MW coal-fired project and Luoyuanwan 2x660 MW coal-fired project from ShanDong Electric Power Corporation, and 39.75% equity interest in Fujian Luoyuanwan Luneng Harbour Limited Liability Company from ShanDong Luneng Development Group Company Limited. Pursuant to the Transfer Agreement, the Company would pay to ShanDong Electric Power Corporation and ShanDong Luneng Development Group Company Limited a total sum of RMB8.625 billion as consideration of the acquisition, which was funded by the Company's internal cash surplus.

   The State-owned Assets Supervision and Administration Commission of the State Council had respectively approved the matters on transfer of the state-owned interests in nine companies including ShanDong Zhanhua Co-generation Limited Company, etc owned by ShanDong Electric Power Corporation and ShanDong Luneng Development Group Company Limited to the Company. The transaction has recently come into effect.

2. Huaneng Power International, Inc. convened the 8th Meeting of the Sixth Session of the Board on 15 January 2010, and the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting of Holders of A Shares and the 2010 First Class Meeting of Holders of H Shares on 16 March 2010, whereby the related resolutions regarding the issuance of A Shares by way of placement to not more than 10 designated investors including China Huaneng Group and the non-public issuance of H Shares to China Hua Neng Group Hong Kong Limited were considered and approved.

   Due to the changes in the market, the Company decided to make adjustments to the New A Share Issue and the New H Share Issue passed at the 8th Meeting of the Sixth Session of the Board, the 2010 First Extraordinary General Meeting, the 2010 First Class Meeting of Holders of A Shares and the 2010 First Class Meeting of Holders of H Shares (comprising mainly the adjustments to the lowest subscription price for the A Shares and the subscription price of H Shares, and the maximum number of A Shares and H Shares to be issued). The Company convened the 11th Meeting of the Sixth Session of the Board on the 26 July 2010, the 2010 Second Extraordinary General Meeting, the 2010 Second Class Meeting of Holders of A Shares and the 2010 Second Class Meeting of Holders of H Shares on 10 September 2010 and approved the New A Share Issue (Revised Proposal) and the New H Share Issue (Revised Proposal).

The Company's controlling shareholders Huaneng Group obtained the approval to the New A Share Issue and the New H Share Issue from the State-owned Assets Supervision and Administration Commission of the State Council in February 2010, and the approval to the New A Share Issue (Revised Proposal) and the New H Share Issue (Revised Proposal) in August 2010.

On 1 November 2010, the Public Offering Review Committee of the China Securities Regulatory Commission conditionally approved the application relating to the New A Share Issue.

On 25 November 2010, the China Securities Regulatory Commission by the "Approval relating to the application for non-public issuance of shares by Huaneng Power International, Inc." (Zhengjian Xuke No. [2010]1701) approved the application for the non-public issuance of not more than 1,500 million A shares.

On 23 December 2010, the Company completed the non-public issuance of 1,500 million A shares to 10 designated investors, i.e. China Huaneng Group, CCB International Asset Management (Tianjin) Company Limited, China Life Insurance Asset Management Company Limited, New China Life Assurance Company Limited, Harbin Power Equipment Company Limited, China Three Gorges Corporation, Liaoning Energy Investment (Group) Limited Liability Company, Dongfang Electric Co. Ltd., Dacheng Fund Management Co., Ltd. and China National Offshore Oil Corporation, respectively. The par value of each share is RMB1.00. All shares are RMB ordinary shares and the issuance price of which was RMB5.57 per share. The shares subscribed by China Huaneng Group are subject to a lock-up period of 36 months from date of their issuance, the listing of which is expected to take place on 23 December 2013. The shares subscribed by other designated investors are subject to a lock-up period of 12 months, the listing of which is expected to take place on 23 December 2011.

On 28 December 2010, the Company completed the placement of 500 million overseas listed shares (H shares) to China Hua Neng Group Hong Kong Limited. The par value of each share is RMB1.00. All shares are ordinary shares and the issuance price of the which was HK$4.73 per share. China Hua Neng Group Hong Kong Limited had completed the subscription of 500 million H shares on 28 December 2010.

3. On 1 December 2010, the Company entered into the Time Shipping Interest Transfer Agreement and the Hainan Nuclear Interest Transfer Agreement with Huaneng Energy & Communications Holdings Co., Ltd. ("HEC") and China Huaneng Group respectively. Pursuant to the transfer agreements, the Company acquired 50% equity interest in registered capital of Time Shipping held by HEC and the 30% equity interest in the registered capital of Hainan Nuclear held by Huaneng Group. The consideration of the acquisition of the Time Shipping Interest payable to HEC was RMB1.058 billion and the consideration of the acquisition of the Hainan Nuclear Interest payable to Huaneng Group was RMB0.174 billion.

   The resolutions regarding the acquisition was approved on the 14th Meeting of the Sixth Session of the Board of Directors of the Company on 30 November 2010. Pursuant to the stipulations of the laws, Huaneng Group had conducted asset appraisal filing process with regard to relevant state-owned assets. The transfer process is basically completed.

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 under the Listing Rules.

DESIGNATED DEPOSIT

As at 31 December 2010, 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 RMB7.90 million.

LEGAL PROCEEDINGS

As at 31 December 2010, 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

The Company will close its H Share Register and suspend registration of transfer of shares from 26 April 2011 to 17 May 2011 (both days inclusive). In order to qualify to attend the Annual General Meeting and to receive the final dividend for the year ended 31 December 2010, holders of the Company's H Shares should deposit the transfer documents accompanied by the relevant share certificates at the Share Registrar of H Shares of the Company, Hong Kong Registrars Limited at Rooms 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 21 April 2011.

Please refer to the Notice of 2010 Annual General Meeting, proxy forms and reply slip that have been despatched to shareholders for details of the 2010 Annual General Meeting.

AUDITORS

In the forthcoming annual general meeting for 2010, a proposal regarding the re-appointment of PricewaterhouseCoopers as the international auditor of the Company and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the PRC auditor of the Company for 2010 will be tabled for shareholder's consideration and approval.

By Order of the Board
CAO Peixi
Chairman

Beijing, PRC
29 March 2011

Report of the Supervisory Committee

To All Shareholders,

In 2010, 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 the senior management and the operational situation and management of the Company for 2010. We hereby report the major work during the reporting period as follows:

1. WORK OF THE SUPERVISORY COMMITTEE IN 2010

In accordance with the applicable laws and regulations, the Articles of Association of the Company and the practical needs of the Company's development, the Supervisory Committee convened five meetings and completed the following tasks in 2010:

(1) On 23 March 2010, the 8th meeting of the Sixth Session of the Supervisory Committee was convened at the headquarters of the Company. The financial statements of the Company for 2009, the Proposal of Profit Distribution for 2009, the Self-Assessment Report on Internal Control of the Company by the Board of Directors, the Social Responsibility Report of Huaneng Power International, Inc. for 2009, the Annual Report of 2009 and its summary, and the Working Report of the Supervisory Committee of the Company for 2009 were considered and approved at the meeting.

(2) On 20 April 2009, the 9th meeting of the Sixth Session of the Supervisory Committee was held by way of written resolutions. The financial report for the first quarter of 2010 and the first quarterly report of 2010 were considered and approved at the meeting.

(3) On 10 August 2010, the 10th meeting of the Sixth Session of the Supervisory Committee was held in Shanghai. The financial statements for the first half of 2010, the interim report of the Company for 2010 and its summary were considered and approved at the meeting.

(4) On 19 October 2010, the 11th meeting of the Sixth Session of the Supervisory Committee was held by way of written resolutions. The financial statements for the first three quarters of 2010 and the third quarterly report of the Company for 2010 were considered and approved at the meeting.

(5) On 30 November 2010, the 12th meeting of the Sixth Session of the Supervisory Committee was held by way of written resolutions. The use of part of the idle fund raised in the New A Share Issue to temporarily supplement the working capital was considered and approved at the meeting.

The Supervisors of the Company attended (or appointed other Supervisors) 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.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2010

(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 and resolutions thereof, 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, and expressed their opinions and views in time 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 applicable laws 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 systems. The design and implementation of internal control system became more all-rounded. The business activities of the Company complied with the legal requirements. 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 applicable laws 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 information of the Company

The Supervisory Committee has carefully examined and verified the financial reports of the Company for 2010, the profit distribution proposal of the Company for 2010, the annual report of the Company of 2010, and the 2010 financial statements audited by the domestic and international auditors with unqualified opinions issued.

The Supervisory Committee holds the view that in 2010, in face of the complicated business landscape, under the proper leadership of the Board of Directors, the management led all staff to duly implement the spirit of working meetings of the Company, overcame difficulties, strived for progress and took active measures to meet challenges in the electricity market, the fuel market and the financing market. They have made considerable achievements in all aspects including safe production, energy saving, emission reduction, overseas assets, capital operation, operation and management and corporate governance laying a solid foundation for the development of the Company into an international leading listed power producer. The Company's financial statements of 2010 have accurately reflected the financial conditions and operating results of the Company during the reporting period. The Supervisory Committee agreed to the auditor's report on the Company's financial statements of 2010 issued by the auditors and the profit distribution plan for 2010.

(3) Fund raising

The latest fund raising exercise involving the issue of equity shares by the Company was in November 2010 by way of non-public issuance of A + H Share. Through this equity financing, the capital base of the Company was further enhanced, the assets/liabilities structure of the Company was improved, thus paving rooms for the Company's development and laying the foundation for the scientific outlook on development by the Company.

The Supervisory Committee is of the view that the Company had strictly complied with the relevant requirements as prescribed by the Management Rules on Listed Companies' Fund Raising by the Shanghai Stock Exchange and the Management Rules on Fund Raising by Huaneng Power International, Inc. etc. and that there had been no change to the project funds.

(4) Major acquisitions and disposals 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 acquisitions and connected transactions on the acquisition of the equity interest in Shanghai Time Shipping Co. Ltd. and the acquisition of the equity interest in Hainan Nuclear Power Co., Ltd.. There was no disposal of assets.

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 were 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) Examining the information disclosure of the Company

The Supervisory Committee is of the view that the Company's control over and procedure on the information disclosure was 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 enhancing the reputation and image of the Company in the capital market.

(6) Review of the Internal Control Self-Investigation Report by the Supervisory Committee

The Supervisory Committee is of the view that during the reporting period, the Board of Directors had conducted an investigation on the relevant internal control of the financial reports in accordance with the Fundamental Regulatory Guidelines on Internal Control by Enterprises, thus guaranteeing the truthfulness, accuracy and completeness of the relevant information in the financial reports and effectively safeguarding the risk against any material errors. The Company's internal control system is sound and has been implemented effectively. The Supervisory Committee agreed to the Company's Internal Control Self-Investigation Report by the Board of Directors.

In 2010, there will be a change of session to the Sixth Session of the Supervisory Committee and a new session of the Supervisory Committee will be formulated. The Sixth Session of the Supervisory Committee will get prepared for matters relating to the change of session. Before a new session of the Supervisory Committee is formulated, the Sixth Session of the Supervisory Committee will continue to perform its duties assigned by the laws and the Articles of Association of the Company deligently 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
29 March 2011

Profiles of Directors, Supervisors and Senior Management

PROFILES OF DIRECTORS AND SUPERVISORS

CAO Peixi

CAO Peixi, aged 55, is the Chairman and Executive Director of the Company. He is also the President of Huaneng Group and the Chairman of HIPDC and Huaneng New Energy Industrial Co., Ltd. He was the Deputy Head and Head of Qingdao Power Plant; Assistant to the Chief of Shandong Power Bureau; Deputy Chief (Vice President) of Shandong Power Bureau (Group Corporation); Chairman and President of Shandong Power Group Corporation; Vice President, President of China Huadian Corporation; and Chairman of Huadian Power International Corporation Limited. He graduated from Shandong University specializing in electrical engineering. He holds a postgraduate degree of master in engineering and is a senior engineer.

HUANG Long

HUANG Long, aged 57, is the Vice Chairman and Non-executive Director of the Company as well as the Vice President of Huaneng Group and the Director of HIPDC, the Vice Chairman of Huaneng New Energy Industrial Co. Ltd., the Director of SinoSing Power Pte. Ltd., the Chairman of Tuas Power Ltd., the Chairman of Tuas Power Supply Pte Ltd. and Tuas Power Utilities Pte Ltd., and Director of Shenzhen Energy Group Co., Ltd. He has served as 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

WU Dawei, aged 57, is the Non-executive Director of the Company, Chief Economist of Huaneng Group, Director 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, President of the Company's East China Branch, Chief of Power Development Department of Huaneng Group and President of HIPDC. He has obtained a Master of Business Administration degree (MBA) from the Central Europe International Business School. He is a senior engineer.

HUANG Jian

HUANG Jian, aged 48, is the Non-executive Director of the Company, the Assistant to President of Huaneng Group, Executive Vice Chairman of Huaneng Capital Services Co., Ltd. and Chairman of Huaneng Hainan Power Ltd.. He was the Deputy Chief of the Cost Office of the Finance Department; Chief of Cost General Office of the Finance Department of HIPDC; Chief Accountant of Beijing Branch of HIPDC; Deputy Manager of the Finance Department of HIPDC; Deputy Chief Accountant, Chief Accountant, Vice President, Company Secretary of the Company and Deputy Chief Economist and Chief of Financial Planning of Huaneng Group. Mr. Huang graduated from the accounting department of Institute of Fiscal Science of the Ministry of Finance with a postgraduate degree of master in economics. He is a senior accountant.

LIU Guoyue

LIU Guoyue, aged 47, is the Executive Director, President of the Company, Director of Shanghai Times Navigations Transportation Limited Company, Xi'an Thermal Research Institute Limited Company, Executive Director of Huaneng International Power Fuel Co., Ltd., Director of Tuas Power Ltd., Tuas Power Supply Pte Ltd. and Tuas Power Utilities Pte Ltd.. He served as Deputy General Manager and General Manager of Huaneng Shijiazhuang Branch (Shang'an Power Plant), Director of Huaneng Dezhou Power Plant, and Vice President of the Company. He graduated from North China Power University, specializing in thermal engineering. He holds a doctor's degree in engineering. He is a senior engineer.

FAN Xiaxia

FAN Xiaxia, aged 48, is the Executive Director and Vice President of the Company and Vice Chairman of Huaneng Shidaowen Nuclear Power Co., Ltd.. He served as Deputy Chief of General Administration Division and Project Administration Division of Project Management Department of HIPDC, Deputy General Manager of the Company's Nantong Branch, Deputy Manager of Project Management Department of the Company, Deputy Manager and Manager of International Co-operation and Business Department of the Company, Manager of Project Management Department of the Company, Assistant to President of the Company and General Manager of the Company' s Zhejiang Branch Yuhuan Power Plant Preparatory Office. He graduated from Economic Management School of Tsinghua University with an EMBA degree. He is a senior engineer.

SHAN Qunying

SHAN Qunying, aged 57, is the Non-executive Director of the Company and the Vice President of Hebei Construction & Investment Group Co., Ltd., Chairman of Hebei Xingtai Power Generation Limited Company, Vice Chairman of Guodian Construction Investment Inner Mongolia Energy Limited Company and Vice Chairman of Hebei Construction Investment Energy Investment 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.

LIU Shuyuan

LIU Shuyuan, aged 60, is the Non-executive Director of the Company, the Chairman of Liaoning Energy Investment (Group) Limited Liability Company, Member of the 11th session of the Standing Committee of China People's Political Consultative Conference of Liaoning Province, Deputy Chief of the Hong Kong-Macau-Taiwan Immigrants Committee of the Political Committee of Liaoning Province, Vice Chairman of Liaoning Province International Trade Promotion Committee, Liaoning Province Entrepreneurs Committee and Liaoning Province Economical Cultural Development Committee. He 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, Chairman and General Manager of Liaoning Energy Investment (Group) Limited Liability Company, Supervisor of the Company, Member of the 9th and 10th sessions of the Standing Committee of China People's Political Consultative Conference of Liaoning Province and Vice Chief of the Hong Kong-Macau-Taiwan Immigrants Committee of the Political Committee of Liaoning Province. He is an on-job postgraduate of PRC Liaoning Province Communist Party School specializing in economic management. He is a senior economic engineer and senior operating manager.

XU Zujian

XU Zujian, aged 56, is a Non-executive Director of the Company, Vice President of Jiangsu Province Guoxin Asset Management Group Limited Company, Chairman of Jiangsu Investment Management Co. Ltd. and Zking Property & Casualty Insurance Co., Ltd.. He was Vice President of Jiangsu Provincial International Trust & Investment Corporation, President of Jiangsu Provincial Investment & Management Limited Liability Company. He graduated from Liaoning Finance University majoring in infrastructure finance, holding a bachelor's degree. He is a senior economic engineer.

HUANG Mingyuan, aged 52, is the Non-executive 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, Guangfa Huafu Securities Company Limited and Industrial Securities Co., Ltd.. She has been the director of the Office of Information Leading Group of Fujian Province, 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 of Fujian Province. 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 Jipeng, aged 54, is the Independent Non-executive Director of the Company, director and mentor of PhD candidates at the Law and Economics Research Centre at China University of Political Science and Law. He is the independent director of Oceanwide Real Estate Group Co., Ltd. and Everbright Securities Co., Ltd..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 56, is the Independent Non-executive Director of the Company, President of All China Lawyers Association, Independent Director of Industrial Fund Management Limited Company, Guojin Securities Limited Company, United Electronic Industry Co., Ltd. and Bank of Beijing Co., Ltd. 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

SHAO Shiwei, aged 65, is the Independent Non-executive Director of the Company. He is also the Independent Director of Shanghai Electric Power Co., Ltd., Shanghai Magus Technology Co., Ltd., Shanghai Zhixin Electric Co., Ltd. and Leshan Electric Power Co., Ltd.. He had been the Deputy Chief of the Electricity for Agriculture of the State Energy Department, the Chief of the Law and Regulation of the State Electricity Department, Assistant General Manager of the National Electric Power Company. Deputy Secretary General of the Office Department, the President of Huadong Yixing Water Pumping and Energy Reserve Company Limited, the President and General Manager of Huadong Grid Network Company and Chairman of the Supervisory Committee of Shanghai Electric Power Co., Ltd. He graduated from Tianjin University specializing in power plant, power grid and power system. He is a senior engineer.

ZHENG Jianchao

ZHENG Jianchao, aged 71, is the Independent Non-executive 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 the Independent Director of the Company, Vice Chancellor and Chancellor of China Electrical Science Research Institute, Deputy Chief of the Academy of Science and Technology Committee of China Electricity Science Research Institute. In 1995, he had been elected as an associate member of China Technology Institute. He graduated from electrical machinery engineering faculty of Tsinghua University, specializing in high voltage technology and holding a Postgraduate Degree. He is a senior engineer.

WU Liansheng

WU Liansheng, aged 40, is the Independent Non-executive 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).

Profiles of Directors, Supervisors and Senior Management

GUO Junming, aged 45, is the Chairman of the Company's Supervisory Committee, the Chief Accountant of Huaneng Group, Chairman of Huaneng Capital Services Limited Company. He was the Deputy Director of the Financial Department and the Chief of the Financial Accounting Division of Grid Construction Branch Company (Grid Construction Department) of State Power Corporation, Deputy Manager of the Finance Department of Huaneng Group, Vice President and President of China Huaneng Finance 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 and holds a bachelor's degree. He is a senior accountant.

YU Ying, aged 55, is the Vice Chairman of the Company's Supervisory Committee and President and General Manager of Dalian Municipal Investment Corporation Ltd.. Ms. Yu has served as Chief of Infrastructure Department, Chief of Social Affair Department and Chief of 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 economic engineer.

WU Lihua, aged 55, is the Supervisor of the Company. She had been the Deputy Manager of the Finance Department of HIPDC, Deputy Manager of the Finance Department and the Manager of Diversified Businesses Management Department of the Company, Vice Chairman of the Preparatory Committee of Huaneng Insurance Company, Vice President of Yongcheng Property Insurance Holding Company Limited, Manager and Chief Accountant of Finance Department of HIPDC. She graduated from the Renmin University of China (Second), specializing in Financial Accounting with a bachelor's degree. She is a senior accountant.

GU Jianguo

GU Jianguo, aged 44, is the Supervisor of the Company and President of Nantong Investment & Management Limited Company. Mr. Gu has served as Deputy Chief and Chief of Nantong Municipal Planning Committee; Vice President of Nantong Ruici Investment Limited Company; Executive President of Ruici Hospital, President of Ruici (Maanshan) Development Limited Company; Chairman and President of Nantong Zhonghe Guarantee Limited Company, Chief Officer of Nantong Municipal Investment Management Centre and Director and President of Nantong Investment Management Limited Company. He graduated from Nanjing Aviation University holding a master degree. He is an economic engineer.

WANG Zhaobin

WANG Zhaobin, aged 55, is the Supervisor and Manager of the Administration Department of the Company. He had been the Chief of the Organisation Affairs Bureau of the PRC Electricity Department, Chief of Human Resources Department and Retirement Department of Huaneng Power, the Deputy Secretary of Communist Party Committee, Secretary of Communist Party Disciplinary Inspection Committee, Chairman of the Labour Union of Huaneng Beijing Electric Plant, Deputy Manager, Manager of the Corporate Culture Department and Manager of Administration Department and Corporate Culture Department of the Company. He graduated from China Beijing Municipal Communist Party School, specializing in economic management, holding a bachelor's degree. He is a corporate culture specialist.

DAI Xinmin

DAI Xinmin, aged 49, is the Supervisor of the Company, the Manager of the Audit and Supervisory Department of the Company and Director of China Huaneng Finance Co., Ltd. He had been the Deputy Chief of the Property Rights Bureau to the State-owned Assets Management Committee, the Deputy Chief Accountant, Deputy Manager of the Finance Department of China Huaneng Group, the Chief Accountant of Huaneng Comprehensive Property Rights Company and the Deputy Secretary General of the Asset Operation Department of China Huaneng Group. He graduated from Shanghai Finance Institute, specializing in industrial economics and holding a bachelor's degree. He is a economic engineer.

CHANGE OF SESSIONS OF BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE

The term of the Sixth Session of the Board of Directors and the Board of Supervisors of Huaneng International will expire upon conclusion of the forthcoming 2010 annual general meeting of the Company. The Company was informed that, among the Directors and the Supervisors of the Sixth Session of the Board of Directors and the Board of Supervisors:

(i) Mr. Wu Dawei (Non-executive Director), Mr. Liu Jipeng (Independent Non-executive Director), Mr. Yu Ning (Independent Non-executive Director) and Mr. Zheng Jianchao (Independent Non-executive Director) will retire and will not stand for re-election as Directors of the Seventh Session of the Board of Directors;

(ii) Ms. Yu Ying and Ms. Wu Lihua will retire and will not stand for re-election as Supervisors of the Seventh Session of the Board of Supervisors; and

(iii) Mr. Wang Zhaobin and Mr. Dai Xinmin have been re-elected by the staff of the Company as the Staff Representative Supervisors in the Seventh Session of the Supervisory Committee.

The other Directors and Supervisors of the Sixth Session of the Board of Directors and the Board of Supervisors have confirmed that they will offer themselves for re-election at the 2010 annual general meeting of the Company.

In addition to the proposed re-election of Directors and Supervisors, the Board of Directors and the Board of Supervisors have respectively proposed the following new appointments to constitute the Seventh Session of the Board of Directors and the Board of Supervisors:

(i) Mr. Li Shiqi as Non-executive Director;

(ii) Mr. Li Zhensheng, Mr. Qi Yudong and Mr. Zhang Shouwen as Independent Non-executive Directors; and

(iii) Mr. Hao Tingwei and Ms. Zhang Mengjiao as Supervisors.

For personal particulars of the proposed Directors and Supervisors, please refer to the Company's announcement dated 30 March 2011.

PROFILES OF SENIOR MANAGEMENT

LIU Guoyue

LIU Guoyue, aged 47, is an Executive Director, President of the Company, Director of Shanghai Times Navigations Transportation Limited Company, Xi'an Thermal Research Institute Limited Company, Executive Director of Huaneng International Power Fuel Co., Ltd., Director of Tuas Power Ltd., Tuas Power Supply Pte Ltd. and Tuas Power Utilities Pte Ltd.. He served as Deputy General Manager and General Manager of Huaneng Shijiazhuang Branch (Shang'an Power Plant), Director of Huaneng Dezhou Power Plant, and Vice President of the Company. He graduated from North China Power University, specializing in thermal engineering. He holds a doctor's degree in engineering. He is a senior engineer.

FAN Xiaxia

FAN Xiaxia, aged 48, is an Executive Director and Vice President of the Company and Vice Chairman of Huaneng Shidaowan Nuclear Power Co., Ltd.. He served as Deputy Chief of General Administration Division and Project Administration Division of Project Management Department of HIPDC, Deputy General Manager of the Company's Nantong Branch, Deputy Manager of Project Management Department of the Company, Deputy Manager and Manager of International Co-operation and Business Department of the Company, Manager of Project Management Department of the Company, Assistant to President of the Company and General Manager of the Company's Zhejiang Branch Yuhuan Power Plant Preparatory Office. He graduated from Economic Management School of Tsinghua University with an EMBA degree. He is a senior engineer.

GU Biquan

GU Biquan, aged 53, 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 Secretariat of the Administration Department of HIPDC, and Manager of Capital Market Department, Assistant to the President, Manager of Administration Department of the Company. He also served as Deputy Chief of Power Development Department of Huaneng Group, Vice President and secretary to the Board of Directors of HIPDC. He graduated from Beijing Broadcasting Television University, specializing in electronic engineering. He is an engineer.

LIN Weijie, aged 47, 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 (in charge of the 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 with postgraduate qualification. He is a senior engineer.

YE Xiangdong, aged 43, was the Vice President of the Company during the reporting period. Mr. Ye resigned as the Vice President in October 2010. He was the Deputy General Manager and General Manager of Huaneng Chongqing Branch (Luohuang Power Plant), President of Huaneng Chongqing Luohuang Power Generation Limited Liability Company (Luohuang Power Plant), Deputy Manager of Safety and Production Department, Manager of Project Management Department and Assistant to President of the Company. He graduated from Chongqing University, specializing in thermal transmission and holds a master degree in science. Mr. Ye is a senior engineer.

LIN Gang, aged 46, is the Vice President of the Company. He was the Deputy Chief of Project Management 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 of Marketing and Sales Department of the Company (in charge of the department), President of Huaneng Northeast Branch, Manager of Marketing and Sales Department of the Company and Assistant to President of the Company. Mr. Lin graduated from North China Power University, specializing in thermal power, and holds a master degree in science. He is a senior engineer.

ZHOU Hui, aged 47, is the Chief Accountant of the Company. She has been the Deputy Chief of the Finance Division and Price Management Division of the Finance Department Chief of Division II of Finance Department of HIPDC, Deputy Manager and Manager of the Finance Department of the Company, Deputy Chief Accountant and Chief Accountant and Manager of Finance Department of the Company. Ms. Zhou graduated from Renmin University of China with a master degree in management with post-graduate qualification. She is a senior accountant.

ZHAO Ping, aged 48, 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 engineering and holds a master degree in science with post-graduate qualification. Mr. Zhao is a senior engineer.

DU Daming, aged 44, is the Vice President of the Company. He had been the deputy head of the General Manager's Office of the Company, assistant, deputy chief and chief of the office of the Board of Directors of the Company, deputy director and director of the General Manager's Office of Huaneng Group, deputy manager of the General Manager's Office, deputy chief (in change of work), chief of the Administration Office of the Company. He graduated from North China Power University, specializing in electric system and its automation, holding a master's degree with post-graduate qualification. He is a senior engineer.

GAO Shulin, aged 50, is Chief Economist of the Company. He was the deputy chief engineer and deputy General Manager of Jinzhou Power Plant, General Manager of Shenhai Thermal Power Plant, deputy chief of the General Planning Department of Liaoning Electric Industry Bureau, Manager of Production Department, director of Liaoning Electric Power Research Institute, General Manager of Huaneng Beijing Co-generation power Plant, Deputy Manager of the Human Resources Department of the Company. President of Huaneng Nuclear Power Development Co., Ltd. and Manager of Planning and Development Department of the Company. He graduated from Tsinghua University, specializing in nuclear reactor engineering, holding a bachelor's degree in engineering with undergraduate qualification. He is a senior engineer.

Corporate Information

Legal Address of the Company	WestWing, Building C Tianyin Mansion 2C Fuxingmennan Street Xicheng District Beijing The People's Republic of China
Company Secretary	Gu Biquan Huaneng Building 4 Fuxingmennei Street Xicheng District Beijing The People's Republic of China
Authorized Representatives	Liu Guoyue Fan Xiaxia
Hong Kong Share Registrar	Hong Kong Registrars Limited Shops 1712-1716 17th 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

Corporate Information

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law:	Herbert Smith 23rd Floor, Gloucester Tower 15 Queen's Road Central 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 Central Hong Kong

AUDITORS OF THE COMPANY

Domestic Auditors	PricewaterhouseCoopers Zhong Tian CPAs Limited Company 11/F., PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Luwan District, Shanghai 200021, PRC
International Auditors	PricewaterhouseCoopers 22/F Prince's Building Central, Hong Kong

Corporate Information

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 2010 and April 2011 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 30 June 2011. 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. Huaneng Building 4 Fuxingmennei Street Xicheng District Beijing The People's Republic of China Tel: (8610)-6322 6999 Fax: (8610)-6322 6666 Website: http://www.hpi.com.cn
Hong Kong:	Wonderful Sky Financial Group Limited Unit 3102-05, 31/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong Tel: (852) 2851 1038 Fax: (852) 2815 1352

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: *= 10^6W, megawatt*
kW: *= 10^3W, kilowatt*
kWh: *Unit of power, kilowatt hour*

Independent Auditor's Report

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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 103 to 218, which comprise the consolidated and Company balance sheets as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Company and its subsidiaries as at 31 December 2010, and of the Company and its subsidiaries' profit 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, 29 March 2011

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

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

		For the year ended 31 December	
	Note	**2010**	2009
Operating revenue	5	**104,318,120**	76,862,896
Tax and levies on operations		**(147,641)**	(151,912)
Operating expenses			
Fuel		**(67,891,547)**	(44,861,375)
Maintenance		**(2,302,018)**	(2,035,297)
Depreciation		**(10,447,021)**	(8,572,103)
Labor		**(4,067,420)**	(3,595,340)
Service fees on transmission and transformer facilities of HIPDC	34	**(140,771)**	(140,771)
Purchase of electricity		**(5,557,219)**	(3,639,440)
Others	6	**(5,135,492)**	(4,692,955)
Total operating expenses		**(95,541,488)**	(67,537,281)
Profit from operations		**8,628,991**	9,173,703
Interest income		**89,026**	60,397
Financial expenses, net			
Interest expense		**(5,282,549)**	(4,260,400)
Exchange gain and bank charges, net		**87,964**	(48,925)
Total financial expenses, net		**(5,194,585)**	(4,309,325)
Share of profits of associates	8	**568,794**	756,164
Gain/(Loss) on fair value changes		**11,851**	(33,638)
Other investment income		**60,013**	56,675
Profit before income tax expense	6	**4,164,090**	5,703,976
Income tax expense	31	**(842,675)**	(593,787)
Net profit		**3,321,415**	5,110,189

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

(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 2010	2009
Other comprehensive income, net of tax			
Available-for-sale financial asset fair value changes		**(258,204)**	773,967
Proportionate shares of other comprehensive (loss)/income of investees measured using the equity method of accounting		**(35,156)**	8,795
Cash flow hedges		**(112,377)**	604,645
Currency translation differences		**457,670**	173,548
Other comprehensive income, net of tax		**51,933**	1,560,955
Total comprehensive income		**3,373,348**	6,671,144
Net profit attributable to:			
– Equity holders of the Company		**3,347,985**	4,929,544
– Non-controlling interests		**(26,570)**	180,645
		3,321,415	5,110,189
Total comprehensive income attributable to:			
– Equity holders of the Company		**3,397,720**	6,489,317
– Non-controlling interests		**(24,372)**	181,827
		3,373,348	6,671,144
Earnings per share for profit attributable to the equity holders of the Company *(expressed in RMB per share)*			
– Basic and diluted	32	**0.28**	0.41
Dividends paid	21	**2,528,050**	1,241,633
Proposed dividend	21	**2,811,077**	2,531,631
Proposed dividend per share *(expressed in RMB per share)*	21	**0.20**	0.21

The notes on pages 113 to 218 are an integral part of these financial statements.

Balance sheets

AS AT 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB)

		The Company and its Subsidiaries As at 31 December		The Company As at 31 December	
	Note	**2010**	2009	**2010**	2009
ASSETS					
Non-current assets					
Property, plant and equipment	7	**155,224,597**	140,777,336	**66,891,765**	66,139,250
Investments in associates/a jointly controlled entity	8	**11,973,216**	9,568,576	**10,157,246**	8,034,616
Investments in subsidiaries	9(a)	**—**	—	**28,281,409**	22,719,152
Loans to subsidiaries	9(b)	**—**	—	**9,360,000**	10,395,000
Available-for-sale financial assets	10	**2,223,814**	2,555,972	**2,211,701**	2,555,972
Land use rights	11	**4,058,496**	3,843,719	**1,481,285**	1,491,577
Power generation licence	12	**4,105,518**	3,898,121	**—**	—
Deferred income tax assets	29	**672,475**	374,733	**494,118**	212,522
Derivative financial assets	13	**91,478**	44,863	**—**	39,586
Goodwill	14	**12,640,904**	11,610,998	**108,938**	108,938
Other non-current assets	15	**5,391,566**	1,023,096	**4,045,023**	200,251
Total non-current assets		**196,382,064**	173,697,414	**123,031,485**	111,896,864
Current assets					
Inventories	16	**5,190,435**	4,083,986	**2,370,070**	1,699,440
Other receivables and assets	17	**5,776,038**	4,468,940	**2,877,893**	2,983,767
Accounts receivable	18	**10,909,136**	10,042,903	**5,325,903**	5,273,684
Loans to subsidiaries	9(b)	**—**	—	**11,384,405**	7,929,245
Derivative financial assets	13	**132,632**	141,886	**—**	—
Bank balances and cash	33	**9,547,908**	5,452,050	**5,019,592**	1,461,569
Total current assets		**31,556,149**	24,189,765	**26,977,863**	19,347,705
Total assets		**227,938,213**	197,887,179	**150,009,348**	131,244,569

Balance sheets

AS AT 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB)

		The Company and its Subsidiaries As at 31 December		The Company As at 31 December	
	Note	**2010**	2009	**2010**	2009
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	19	**14,055,383**	12,055,383	**14,055,383**	12,055,383
Capital surplus		**18,430,746**	10,041,203	**18,353,447**	9,899,428
Surplus reserves	20	**6,958,630**	6,096,100	**6,958,630**	6,096,100
Currency translation differences		**93,405**	(362,067)	**—**	—
Retained earnings					
–Proposed dividend	21	**2,811,077**	2,531,631	**2,811,077**	2,531,631
–Others		**11,439,892**	11,761,933	**8,656,473**	10,262,965
		53,789,133	42,124,183	**50,835,010**	40,845,507
Non-controlling interests		**8,636,339**	8,523,937	**—**	—
Total equity		**62,425,472**	50,648,120	**50,835,010**	40,845,507
Non-current liabilities					
Long-term loans	22	**65,184,903**	71,266,755	**29,739,136**	32,518,894
Long-term bonds	23	**13,831,150**	13,800,115	**13,831,150**	13,800,115
Deferred income tax liabilities	29	**1,966,387**	1,839,362	**—**	—
Derivative financial liabilities	13	**95,863**	850	**82,158**	—
Other non-current liabilities	24	**797,558**	750,369	**554,452**	562,675
Total non-current liabilities		**81,875,861**	87,657,451	**44,206,896**	46,881,684
Current liabilities					
Accounts payable and other liabilities	25	**19,555,321**	14,524,620	**7,775,175**	8,264,004
Taxes payables	26	**744,223**	650,800	**254,907**	309,861
Dividends payable		**79,681**	20,734	**—**	—
Salary and welfare payables		**271,062**	290,527	**107,684**	130,389
Derivative financial liabilities	13	**86,612**	13,403	**—**	—
Short-term bonds	27	**5,070,247**	10,101,460	**5,070,247**	10,101,460
Short-term loans	28	**44,047,184**	24,729,816	**32,993,184**	17,638,362
Current portion of long-term loans	22	**13,782,550**	9,250,248	**8,766,245**	7,073,302
Total current liabilities		**83,636,880**	59,581,608	**54,967,442**	43,517,378
Total liabilities		**165,512,741**	147,239,059	**99,174,338**	90,399,062
Total equity and liabilities		**227,938,213**	197,887,179	**150,009,348**	131,244,569

These financial statements were approved for issue by the Board of Directors on 29 March 2011 and were signed on its behalf.

Liu Guoyue
Director

Fan Xiaxia
Director

The notes on pages 113 to 218 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Capital surplus					Surplus reserves	Currency translation differences	Retained earnings	Total		
		Share premium	Hedging reserve	Available-for-sale financial assets revaluation reserve	Other capital reserve	Subtotal						
Balance as at 1 January 2009	12,055,383	8,506,769	(476,601)	114,157	498,292	8,642,617	6,096,100	(534,433)	10,569,653	36,829,320	5,730,633	42,559,953
Profit for the year ended 31 December 2009	–	–	–	–	–	–	–	–	4,929,544	4,929,544	180,645	5,110,189
Other comprehensive income:												
Fair value changes from available-for-sale financial asset – gross	–	–	–	1,031,956	–	1,031,956	–	–	–	1,031,956	–	1,031,956
Fair value changes from available-for-sale financial asset – tax	–	–	–	(257,989)	–	(257,989)	–	–	–	(257,989)	–	(257,989)
Proportionate share of other comprehensive income of investee measured using the equity method of accounting – gross	–	–	–	11,727	–	11,727	–	–	–	11,727	–	11,727
Proportionate share of other comprehensive income of investee measured using the equity method of accounting – tax	–	–	–	(2,932)	–	(2,932)	–	–	–	(2,932)	–	(2,932)
Changes in fair value of effective portion of cash flow hedges – gross	–	–	859,498	–	–	859,498	–	–	–	859,498	–	859,498
Changes in fair value of effective portion of cash flow hedges – tax	–	–	(148,014)	–	–	(148,014)	–	–	–	(148,014)	–	(148,014)
Cash flow hedges recorded in shareholders' equity reclassified to inventories – gross	–	–	(128,241)	–	–	(128,241)	–	–	–	(128,241)	–	(128,241)
Cash flow hedges recorded in shareholders' equity reclassified to inventories– tax	–	–	16,277	–	–	16,277	–	–	–	16,277	–	16,277
Cash flow hedges recorded in shareholders' equity reclassified to exchange gain and bank charges, net – gross	–	–	(8,025)	–	–	(8,025)	–	–	–	(8,025)	–	(8,025)
Cash flow hedges recorded in shareholders' equity reclassified to exchange gain and bank charges, net – tax	–	–	1,259	–	–	1,259	–	–	–	1,259	–	1,259
Cash flow hedges recorded in shareholders' equity reclassified to interest expense – gross	–	–	15,854	–	–	15,854	–	–	–	15,854	–	15,854
Cash flow hedges recorded in shareholders' equity reclassified to interest expense – tax	–	–	(3,963)	–	–	(3,963)	–	–	–	(3,963)	–	(3,963)
Currency translation differences	–	–	–	–	–	–	–	172,366	–	172,366	1,182	173,548
Total comprehensive income for the year ended 31 December 2009	–	–	604,645	782,762	–	1,387,407	–	172,366	4,929,544	6,489,317	181,827	6,671,144
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	–	–	2,421,569	2,421,569
Dividends relating to 2008 *(Note 21)*	–	–	–	–	–	–	–	–	(1,205,633)	(1,205,633)	(70,625)	(1,276,258)
Net capital injection from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	260,533	260,533
Others	–	–	–	–	11,179	11,179	–	–	–	11,179	–	11,179
Balance as at 31 December 2009	12,055,383	8,506,769	128,044	896,919	509,471	10,041,203	6,096,100	(362,067)	14,293,564	42,124,183	8,523,937	50,648,120

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Capital surplus					Surplus reserves	Currency translation differences	Retained earnings	Total		
		Share premium	Hedging reserve	Available-for-sale financial assets revaluation reserve	Other capital reserve	Subtotal						
Balance as at 1 January 2010	12,055,383	8,506,769	128,044	896,919	509,471	10,041,203	6,096,100	(362,067)	14,293,564	42,124,183	8,523,937	50,648,120
Profit for the year ended 31 December 2010	–	–	–	–	–	–	–	–	3,347,985	3,347,985	(26,570)	3,321,415
Other comprehensive income:												
Fair value changes from available-for-sale financial asset – gross	–	–	–	(344,271)	–	(344,271)	–	–	–	(344,271)	–	(344,271)
Fair value changes from available-for-sale financial asset – tax	–	–	–	86,067	–	86,067	–	–	–	86,067	–	86,067
Proportionate shares of other comprehensive income of investees measured using the equity method of accounting – gross	–	–	–	(37,843)	(3,272)	(41,115)	–	–	–	(41,115)	–	(41,115)
Proportionate shares of other comprehensive income of investees measured using the equity method of accounting – tax	–	–	–	5,959	–	5,959	–	–	–	5,959	–	5,959
Changes in fair value of effective portion of cash flow hedges – gross	–	–	(199,370)	–	–	(199,370)	–	–	–	(199,370)	–	(199,370)
Changes in fair value of effective portion of cash flow hedges – tax	–	–	49,786	–	–	49,786	–	–	–	49,786	–	49,786
Cash flow hedges recorded in shareholders' equity reclassified to inventories – gross	–	–	(70,050)	–	–	(70,050)	–	–	–	(70,050)	–	(70,050)
Cash flow hedges recorded in shareholders' equity reclassified to inventories – tax	–	–	11,909	–	–	11,909	–	–	–	11,909	–	11,909
Cash flow hedges recorded in shareholders' equity reclassified to exchange gain and bank charges, net – gross	–	–	79,339	–	–	79,339	–	–	–	79,339	–	79,339
Cash flow hedges recorded in shareholders' equity reclassified to exchange gain and bank charges, net – tax	–	–	(13,488)	–	–	(13,488)	–	–	–	(13,488)	–	(13,488)
Cash flow hedges recorded in shareholders' equity reclassified to interest expense – gross	–	–	42,952	–	–	42,952	–	–	–	42,952	–	42,952
Cash flow hedges recorded in shareholders' equity reclassified to interest expense – tax	–	–	(13,455)	–	–	(13,455)	–	–	–	(13,455)	–	(13,455)
Currency translation differences	–	–	–	–	–	–	–	455,472	–	455,472	2,198	457,670
Total comprehensive (loss)/income for the year ended 31 December 2010	–	–	(112,377)	(290,088)	(3,272)	(405,737)	–	455,472	3,347,985	3,397,720	(24,372)	3,373,348
Issuance of ordinary shares *(Note 19)*	2,000,000	8,274,155	–	–	–	8,274,155	–	–	–	10,274,155	–	10,274,155
Capital injection	–	–	–	–	529,375	529,375	–	–	–	529,375	–	529,375
Transfer to surplus reserves *(Note 20)*	–	–	–	–	–	–	862,530	–	(862,530)	–	–	–
Dividends relating to 2009 *(Note 21)*	–	–	–	–	–	–	–	–	(2,528,050)	(2,528,050)	(249,043)	(2,777,093)
Net capital injection from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	283,521	283,521
Acquisitions of subsidiaries *(Note 39)*	–	–	–	–	–	–	–	–	–	–	107,287	107,287
Others	–	–	–	–	(8,250)	(8,250)	–	–	–	(8,250)	(4,991)	(13,241)
Balance as at 31 December 2010	14,055,383	16,780,924	15,667	606,831	1,027,324	18,430,746	6,958,630	93,405	14,250,969	53,789,133	8,636,339	62,425,472

The notes on pages 113 to 218 are an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

(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	
		Share premium	Hedging reserve	Available-for-sale financial asset revaluation reserve	Other capital reserve	Subtotal			
Balance as at 1 January 2009	12,055,383	8,506,769	—	103,649	474,175	9,084,593	6,096,100	10,447,419	37,683,495
Profit for the year ended 31 December 2009	—	—	—	—	—	—	—	3,552,810	3,552,810
Other comprehensive income:									
Fair value changes from available-for-sale financial asset – gross	—	—	—	1,031,956	—	1,031,956	—	—	1,031,956
Fair value changes from available-for-sale financial asset – tax	—	—	—	(257,989)	—	(257,989)	—	—	(257,989)
Changes in fair value of effective portion of cash flow hedges – gross	—	—	23,732	—	—	23,732	—	—	23,732
Changes in fair value of effective portion of cash flow hedges – tax	—	—	(5,934)	—	—	(5,934)	—	—	(5,934)
Cash flow hedges recorded in shareholders' equity reclassified to interest expense – gross	—	—	15,854	—	—	15,854	—	—	15,854
Cash flow hedges recorded in shareholders' equity reclassified to interest expense – tax	—	—	(3,963)	—	—	(3,963)	—	—	(3,963)
Total comprehensive income for the year ended 31 December 2009	—	—	29,689	773,967	—	803,656	—	3,552,810	4,356,466
Dividends relating to 2008 *(Note 21)*	—	—	—	—	—	—	—	(1,205,633)	(1,205,633)
Others	—	—	—	—	11,179	11,179	—	—	11,179
Balance as at 31 December 2009	12,055,383	8,506,769	29,689	877,616	485,354	9,899,428	6,096,100	12,794,596	40,845,507

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

(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	
		Share premium	Hedging reserve	Available-for-sale financial asset revaluation reserve	Other capital reserve	Subtotal			
Balance as at 1 January 2010	12,055,383	8,506,769	29,689	877,616	485,354	9,899,428	6,096,100	12,794,596	40,845,507
Profit for the year ended 31 December 2010	–	–	–	–	–	–	–	2,063,534	2,063,534
Other comprehensive income:									
Fair value changes from available-for-sale financial asset – gross	–	–	–	(344,271)	–	(344,271)	–	–	(344,271)
Fair value changes from available-for-sale financial asset – tax	–	–	–	86,067	–	86,067	–	–	86,067
Changes in fair value of effective portion of cash flow hedges – gross	–	–	(198,656)	–	–	(198,656)	–	–	(198,656)
Changes in fair value of effective portion of cash flow hedges – tax	–	–	49,665	–	–	49,665	–	–	49,665
Cash flow hedges recorded in shareholders' equity reclassified to interest expense – gross	–	–	76,912	–	–	76,912	–	–	76,912
Cash flow hedges recorded in shareholders' equity reclassified to interest expense – tax	–	–	(19,228)	–	–	(19,228)	–	–	(19,228)
Total comprehensive (loss)/income for the year ended 31 December 2010	–	–	(91,307)	(258,204)	–	(349,511)	–	2,063,534	1,714,023
Issuance of ordinary shares *(Note 19)*	2,000,000	8,274,155	–	–	–	8,274,155	–	–	10,274,155
Capital injection	–	–	–	–	529,375	529,375	–	–	529,375
Transfer to surplus reserves *(Note 20)*	–	–	–	–	–	–	862,530	(862,530)	–
Dividends relating to 2009 *(Note 21)*	–	–	–	–	–	–	–	(2,528,050)	(2,528,050)
Balance as at 31 December 2010	14,055,383	16,780,924	(61,618)	619,412	1,014,729	18,353,447	6,958,630	11,467,550	50,835,010

The notes on pages 113 to 218 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB)

	Note	For the year ended 31 December 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense		**4,164,090**	5,703,976
Adjustments to reconcile profit before income tax expense to net cash provided by operating activities:			
Depreciation		**10,447,021**	8,572,103
Provision for impairment loss on property, plant and equipment		**8,477**	629,674
Provision for impairment loss on intangible assets		**23,706**	—
Provision for impairment on goodwill		**5,276**	—
Amortization of land use rights		**112,706**	91,633
Amortization of other non-current assets		**64,964**	53,235
Amortization of housing loss		**17,234**	32,744
Provision for doubtful accounts		**2,750**	677
(Reversal of)/Provision for inventory obsolescence		**(155)**	29,889
(Gain)/Loss on fair value changes		**(11,851)**	33,638
Other investment income		**(63,578)**	(37,063)
Net (gain)/loss on disposals or write-off of property, plant and equipment		**(33,129)**	53,033
Unrealized exchange gain, net		**(199,456)**	(151,560)
Share of profits of associates		**(568,794)**	(756,164)
Interest income		**(89,026)**	(60,397)
Interest expense		**5,282,549**	4,260,400
Changes in working capital:			
Inventories		**(1,031,869)**	1,328,674
Other receivables and assets		**(797,412)**	(374,736)
Accounts receivable		**(650,910)**	(2,361,918)
Restricted cash		**103,597**	(21,053)
Accounts payable and other liabilities		**955,293**	542,386
Taxes payable		**1,495,179**	(2,196,174)
Salary and welfare payables		**(40,817)**	(4,801)
Others		**(72,593)**	43,975
Interest received		**54,738**	59,919
Income tax expense paid		**(1,111,266)**	(491,100)
Net cash provided by operating activities		**18,066,724**	14,980,990

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB)

	Note	For the year ended 31 December 2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(20,704,224)**	(22,426,098)
Proceeds from disposals of property, plant and equipment		**105,816**	39,272
Prepayments of land use rights		**(2,879)**	(167,435)
Increase in other non-current assets		**(24,614)**	(27,138)
Cash dividends received		**315,205**	540,182
Capital injections in associates		**(533,630)**	(548,500)
Cash paid for acquiring available-for-sale financial assets		**(12,113)**	—
Cash consideration paid for acquisitions		**(850,763)**	(2,355,762)
Cash consideration prepaid for acquisitions		**(4,178,214)**	—
Cash from acquisitions of subsidiaries		**90,524**	419,885
Cash paid for acquiring associates		**(174,000)**	—
Cash paid for acquiring a jointly controlled entity		**(1,058,000)**	—
Others		**46,354**	(354,667)
Net cash used in investing activities		**(26,980,538)**	(24,880,261)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of short-term bonds		**9,959,850**	9,960,000
Repayments of short-term bonds		**(15,000,000)**	(5,000,000)
Drawdown of short-term loans		**63,190,307**	40,892,075
Repayments of short-term loans		**(44,611,278)**	(29,251,246)
Drawdown of long-term loans		**9,215,500**	32,505,000
Repayments of long-term loans		**(11,682,182)**	(37,317,607)
Proceed received from issuance of shares		**10,280,169**	—
Issuance of long-term bonds		**—**	3,939,850
Interest paid		**(5,997,296)**	(5,378,244)
Net capital injection from non-controlling interests of the subsidiaries		**283,521**	260,533
Government grants		**50,410**	420,766
Dividends paid to shareholders of the Company		**(2,528,050)**	(1,241,633)
Dividends paid to non-controlling interests of the subsidiaries		**(249,043)**	(253,971)
Others		**151,415**	(31,637)
Net cash provided by financing activities		**13,063,323**	9,503,886
Exchange gain		**49,946**	55,742
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,199,455**	(339,643)
Cash and cash equivalents as at beginning of the year		**5,226,982**	5,566,625
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	33	**9,426,437**	5,226,982

The notes on pages 113 to 218 are an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB unless otherwise stated)

1. COMPANY ORGANIZATION AND PRINCIPAL ACTIVITIES

Huaneng Power International, Inc. (the "Company") was incorporated in the People's Republic of China (the "PRC") as a Sino-foreign joint stock limited company on 30 June 1994. The registered address of the Company is West Wing, Building C, Tianyin Mansion, 2C Fuxingmennan Street, Xicheng District, Beijing, the 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, subsidiaries of the Company, 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 derivative financial assets and liabilities.

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.

As at and for the year ended 31 December 2010, a portion of the Company and its subsidiaries' funding requirements for capital expenditures were partially satisfied by short-term financing. Consequently, as at 31 December 2010, the Company and its subsidiaries have a negative working capital balance of approximately RMB52.08 billion. Taking into consideration of the expected operating cash flows 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 borrowings into long-term borrowings and also consider alternative sources of financing, where applicable. Therefore, 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 financial statements on a going concern basis.

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

(a) Basis of preparation *(Cont'd)*

The following new standards and amendments to standards are adopted for the first time to the financial year beginning 1 January 2010.

- International Accounting Standard ("IAS") 17 (Amendment), 'Leases'. The amendment deleted the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. This amendment is applied on a retrospective basis. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17. The Company and its subsidiaries have land use rights in both the PRC and Singapore. Based on assessments, land use rights located in the PRC are classified as operating leases while land use rights located in Singapore are classified as finance leases. All of the land use rights are amortized over time using straight-line method. Please refer to Note 11 for details of revised disclosures.

- IAS 24 (Revised), 'Related party disclosures'. This revised standard introduces a partial exemption from the disclosure requirements of IAS 24 for transactions with government-related enterprises. Those disclosures are replaced with requirements to disclose the name of related government and the nature of its relationship with the Company and its subsidiaries, the natures and amounts of any individually-significant transactions, and qualitative or quantitative disclosures for collectively-significant transactions. The Company and its subsidiaries have elected to early adopt the partial exemption described above from 1 January 2010. Please refer to Note 34 for related revised disclosures.

- IAS 27 (Revised), 'Consolidated and separate financial statements'. 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 profit or loss. The Company and its subsidiaries apply this standard prospectively to transactions with non-controlling interests from 1 January 2010 onwards. IAS 27 (revised) has no material impact in the current year.

- IAS 38 (Amendment), 'Intangible Assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination when it is not traded in an active market. It also permits the grouping of intangible assets as a single asset if each asset has similar economic useful lives. The Company and its subsidiaries apply this amendment prospectively to all business combinations from 1 January 2010 onwards. The amendment did not result in a material impact on the Company and its subsidiaries' financial statements.

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

(a) Basis of preparation *(Cont'd)*

The following new standards and amendments to standards are adopted for the first time to the financial year beginning 1 January 2010. *(Cont'd)*

- IFRS 3 (Revised), 'Business combinations'. 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 statement of comprehensive income. It clarifies the reassessment requirements on acquisition date should there be any hedging arrangements existed in the acquirees. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate shares of the acquiree's net assets. All acquisition-related costs should be expensed. Contingent liabilities assumed in a business combination are recognized at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. After the date of business combination, contingent liabilities are re-measured at the higher of the original amount and the amount under the relevant standard, IAS 37. The Company and its subsidiaries apply this standard prospectively to all business combinations from 1 January 2010 onwards. The Company applied the revised standard for acquisitions effected in 2010. The Company and its subsidiaries have chosen to recognise the non-controlling interest at the non-controlling interest's proportionate share of the acquiree's net assets for the acquisitions effected this year. Acquisition-related costs of RMB6.60 million have been recognised in the profit or loss, which previously would have been included in the consideration of the business combination, which has no material impact on earnings per share. See Note 39 for further details of the business combinations that took place in 2010.

- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations'. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It 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 amendment also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company and its subsidiaries apply IFRS 5 (amendment) from 1 January 2010 onwards. The amendment did not result in a material impact on the Company and its subsidiaries' financial statements.

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 non-controlling 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 consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the the Company and its subsidiaries. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company and its subsidiaries recognise any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2(g)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

(b) Consolidation *(Cont'd)*

(i) Subsidiaries *(Cont'd)*

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.

(ii) Transactions with non-controlling interests

The Company and its subsidiaries treat transactions with non-controlling interests as transactions with equity owners of the Company and its subsidiaries. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Associates and jointly controlled entities

Associates are investees over which the Company and its subsidiaries have significant influence on the financial and operating decisions. Jointly controlled entities are investees over which the Company and its subsidiaries have contractual arrangements to jointly share control with one or more parties and none of the participating parties has unilateral control over the investees.

Investments in associates/jointly controlled entities 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 or 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/jointly controlled entities 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.

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

(b) Consolidation *(Cont'd)*

(iii) Associates and jointly controlled entities *(Cont'd)*

The Company and its subsidiaries adjust the carrying amount of the investment and directly recognize into related other comprehensive income and equity items based on their proportionate share on other shareholders' other comprehensive income and 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/jointly controlled entities is eliminated to the extent of interest of the Company and its subsidiaries in the associates/jointly controlled entities. Loss from transactions between the Company and its subsidiaries and the associates/jointly controlled entities is fully recognized and not eliminated when there is evidence for asset impairment.

Gains and losses arising from dilution of investments in associates/jointly controlled entities are recognized in the consolidated statement of comprehensive income.

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

(c) Segment reporting

The Company and its subsidiaries determine the operation segment based on the internal organization structure, management requirement and internal reporting system and thereafter determine the reportable segment and present the segment information.

An operating segment represents a component of the Company and its subsidiaries that meets all the conditions below: (i) the component earns revenue and incurs expenses in its daily operating activities; (ii) chief operating decision makers of the Company and its subsidiaries can regularly review the operating results of the component in order to make decisions on allocating resources and assessing performance; (iii) the financial position, operating results, cash flows and other related financial information of the component are available. When the two or more operating segments exhibit similar economic characteristics and meet certain conditions, the Company and its subsidiaries will combine them as one reportable segment.

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

(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 or 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.

(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 statement of comprehensive income of the foreign operations are translated at average exchange rates approximating the rate on transaction dates. All resulting translation differences above are recognized in other comprehensive income.

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 statement of cash flows separately.

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

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

(e) Property, plant and equipment

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.

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:

	Estimated useful lives
Port facilities	20 – 40 years
Buildings	8 – 45 years
Electric utility plant in service	5 – 35 years
Transportation facilities	6 – 20 years
Others	3 – 18 years

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

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 statement of comprehensive income.

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)).

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

(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.

(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 subsidiaries/associates/jointly controlled entities at the date of acquisition. Goodwill arising from acquisitions of associates/jointly controlled entities is included in 'investments in associates/jointly controlled entities' 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 14). The Company and its subsidiaries allocate goodwill to those CGUs based on operating segments.

(h) Impairment of 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, land use rights under finance leases 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 include financial assets held for trading and 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 are classified as non-current assets. Loans and receivables are primarily included in as 'accounts receivable', 'other receivables and assets', 'loans to subsidiaries', 'other non-current assets' and 'bank balances and cash' in the balance sheets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets 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 profit or loss 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 'gain/(loss) 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 other comprehensive income. When these financial assets are derecognized, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'other investment income'. Dividends on available-for-sale financial assets are recorded in 'other 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 prolonged decline in fair value of the available-for-sale financial asset, changes in the fair value that originally recorded in equity is recorded as impairment loss. Impairment loss on available-for-sale equity instrument is not reversed through profit or 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 profit or loss. For the impairment test of receivables, please refer to Note 2(j).

(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 profit or loss except for those effective portion of gain or loss on the derivative financial instruments designated as cash flow hedges which is recognized directly in other comprehensive income. 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 highly probable forecast transactions and variable rate borrowings and could affect the statement of comprehensive income.

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.

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

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

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

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

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of comprehensive income within 'interest expense'. The gain or loss relating to the effective portion of exchange forward hedging foreign currency denominated payables is recognized in the statement of comprehensive income within 'exchange gain and bank charges, net'. However, 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 other comprehensive income will not be recovered in future financial periods, the irrecoverable portion will be reclassified into profit or loss.

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 profit or loss. 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 statement of comprehensive income within 'gain/(loss) on fair value changes'.

(j) Loans and receivables

Loans and receivables primarily including accounts receivable, notes receivable, other receivables, loan to subsidiaries and other non-current assets, 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 flows. The carrying amounts of the receivables are reduced through the use of allowance accounts, and the amount of the provision is recognized in the statement of comprehensive income 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 statement of comprehensive income.

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

(k) 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.

(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 statement of cash flows 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) 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.

(o) Payables

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

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

(p) Taxation

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

The domestic power, heat and coal sales of the Company and its subsidiaries are subjected to VAT. VAT payable is determined by applying 17% (or 13% on heat) on the taxable revenue after offsetting deductible input VAT of the period.

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

The overseas power sales of the Company and its subsidiaries are subjected to goods and service tax of the country where they operate. GST payable is determined by applying 7% on the taxable revenue after offsetting deductible GST of the period.

(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 profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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 income tax rate applicable to Singapore subsidiaries is 17% (2009: 17%).

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.

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

(p) Taxation *(Cont'd)*

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

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:

(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.

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

(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.

(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 profit or loss 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 profit or loss 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 or loss.

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

(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) Electricity sales revenue

Electricity sales 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) Coal sales revenue

Coal sales revenue represents the fair value of the consideration received or receivable for the sale of the coal in the ordinary course of the activities of the Company and its subsidiaries. Coal sales revenue is recognized when the coal delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the coal.

(iii) Service income

Service revenue refers to amounts received from service of port loading and conveying. The Company and its subsidiaries recognize revenue when the relevant service was provided.

(iv) Interest income

Interest income from deposits is recognized on a time proportion basis using effective interest method. Interest income from the finance lease is recognized on a basis that reflects a constant periodic rate of return on the net investment in the finance lease.

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 receivables.

(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 overseas 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 the statement of comprehensive income 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 2011 or later, but the Company and its subsidiaries have not early adopted:

- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related enterprises to disclose details of all transactions with the government and other government-related enterprises. The Company and its subsidiaries has earlier adopted the partial exemption of disclosure requirements for transactions with government-related enterprises and will apply the other requirement of this standard from 1 January 2011. When the revised standard is applied, the Company and its subsidiaries will need to disclose any additional transactions with associates/ jointly controlled entities of Huaneng Group and its subsidiaries. The Company and its subsidiaries is currently establishing systems to capture the necessary information.

- Amendments to IFRS 7, 'Financial instruments: disclosures'. The amendments were as a result of the May 2010 Improvements to IFRSs (the "May 2010 Improvements") (effective for financial year beginning 1 January 2011) and amendments on disclosure requirements of transfers of financial assets released in October 2010 (effective for financial year beginning 1 July 2011), respectively. The May 2010 Improvements clarified certain quantitative disclosures and removed the disclosure requirements on financial assets with renegotiated terms. The amendments on transfers of financial assets clarified and strengthened the disclosure requirements of transfers of financial assets which help users of financial statements evaluating related risk exposures and the effect of those risks on the financial position of the Company and its subsidiaries. The Company and its subsidiaries will adopt the May 2010 Improvement on IFRS 7 and the amendments on disclosure requirements of transfer of financial assets from 1 January 2011 and 1 January 2012, respectively. The Company and its subsidiaries are in the process of assessing of the impact of the amendments.

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 9, 'Financial Instruments' (effective for annual period beginning on or after 1 January 2013). The standard requires financial assets to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. The Company and its subsidiaries will apply this standard prospectively to financial instruments from 1 January 2013. The Company and its subsidiaries are in the process of assessing of the impact of the new standard.

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 instructions 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 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 22 and 25 for details. The Company and its subsidiaries manage exchange risk through closely monitoring interest and exchange market.

As at 31 December 2010, if RMB had weakened/strengthened by 5% (2009: 5%) against US$ and 3% (2009: 3%) against € with all other variables constant, exchange gain of the Company and its subsidiaries would have been RMB312 million (2009: RMB357 million) and RMB25 million (2009: RMB31 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 2010, if S$ had weakened/strengthened by 10% (2009: 10%) against US$ with all other variables constant, exchange gain of the Company and its subsidiaries would have been RMB121 million (2009: RMB93 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 purchases 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 13 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 10. Being a strategic investment in nature, the Company has a supervisor in the supervisory committee of the investee and exercises influence in safeguarding the interest. The Company also closely monitors 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. In particular, SinoSing Power and its subsidiaries use fuel oil swap to hedge against such a risk and designate them as cash flow hedges. Please refer to Note 13 for details.

(3) Cash flow interest rate risk

The interest rate risk of the Company and its subsidiaries primarily arises from long-term 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 22 to the financial statements. The Company and its subsidiaries have entered into interest rate swap agreements with banks to hedge against a portion of cash flow interest rate risk.

As at 31 December 2010, if interest rates on RMB-denominated borrowings had been 50 basis points (2009: 50 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB334 million (2009: RMB339 million) higher/lower. If interest rates on US$-denominated borrowings had been 50 basis points (2009: 50 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB14 million (2009: RMB14 million) higher/lower. If interest rates on S$-denominated borrowings had been 100 basis points (2009: 100 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB89 million (2009: RMB150 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)*

(i) Market risk *(Cont'd)*

(3) Cash flow interest rate risk *(Cont'd)*

The Company has entered into a floating-to-fixed interest rate swap agreement to hedge against cash flow interest rate risk of a loan. According to the interest rate swap agreement, the Company agrees with the counterparty to settle the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts quarterly until 2019. In the current year, Tuas Power Generation Pte Ltd. ("TPG") also entered into a number of floating-to-fixed interest rate swap agreements to hedge against cash flow interest rate risk of a loan. According to these interest rate swap agreements, TPG agrees with the counterparty to settle the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amount semi-annually until 2020. Please refer to Note 13 for details.

(ii) Credit risk

Credit risk arises from bank deposits, credit exposures to customers, other receivables, other non-current assets and loans to subsidiaries. The maximum exposures of bank deposits, accounts and other receivables are disclosed in Notes 33, 18, 17 and 15 to the financial statements, respectively while maximum exposures of loans to subsidiaries are presented on balance sheets.

Bank deposits are placed with reputable banks and financial institutions, including which a significant portion 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 bank deposits are disclosed in Note 34(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.

Singapore subsidiaries derive 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. They also derive 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. They hold cash deposits and guarantees from creditworthy financial institutions to secure substantial obligations of the customers.

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

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

(ii) Credit risk *(Cont'd)*

The concentrations of accounts receivable are disclosed in Note 5.

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.

(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 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.

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 of derivative financial liabilities are disclosed in Notes 22, 23 and 13, respectively.

(b) Fair value estimation

(i) Fair value measurements

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2—Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3—Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(b) Fair value estimation *(Cont'd)*

(i) Fair value measurements *(Cont'd)*

The following table presents the assets and liabilities of the Company and its subsidiaries that are measured at fair value at 31 December 2010.

	The Company and its subsidiaries				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets at fair value through profit or loss *(Note 13)* – Trading derivatives	–	3,810	–	3,810	–	–	–	–
Derivatives used for hedging *(Note 13)*	–	220,300	–	220,300	–	–	–	–
Available-for-sale financial assets – Equity securities	1,949,727	–	–	1,949,727	1,949,727	–	–	1,949,727
Total assets	1,949,727	224,110	–	2,173,837	1,949,727	–	–	1,949,727
Liabilities								
Financial liabilities at fair value through profit or loss *(Note 13)* – Trading derivatives	–	2,397	–	2,397	–	–	–	–
Derivatives used for hedging *(Note 13)*	–	180,078	–	180,078	–	82,158	–	82,158
Total liabilities	–	182,475	–	182,475	–	82,158	–	82,158

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(b) Fair value estimation *(Cont'd)*

(i) Fair value measurements *(Cont'd)*

The following table presents the assets and liabilities of the Company and its subsidiaries that are measured at fair value at 31 December 2009.

	The Company and its subsidiaries				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets at fair value through profit or loss *(Note 13)* – Trading derivatives	—	(4,123)	—	(4,123)	—	—	—	—
Derivatives used for hedging *(Note 13)*	—	190,872	—	190,872	—	39,586	—	39,586
Available-for-sale financial assets – Equity securities*	2,293,999	—	—	2,293,999	2,293,999	—	—	2,293,999
Total assets	2,293,999	186,749	—	2,480,748	2,293,999	39,586	—	2,333,585
Liabilities								
Financial liabilities at fair value through profit or loss *(Note 13)* – Trading derivatives	—	6,276	—	6,276	—	—	—	—
Derivatives used for hedging *(Note 13)*	—	7,977	—	7,977	—	—	—	—
Total liabilities	—	14,253	—	14,253	—	—	—	—

* The available-for-sale financial asset that is measured at fair value in the table above represents the equity interest in China Yangtze Power Co., Ltd. ("Yangtze Power"). In 2009, the Company transferred Yangtze Power from level 2 into level 1 upon the resumption of trading of shares of Yangtze Power in the Shanghai Stock Exchange after the restructuring since May 2008.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company and its subsidiaries is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investment in Yangtze Power classified as available for sale.

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

(b) Fair value estimation *(Cont'd)*

(i) Fair value measurements *(Cont'd)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The forward exchange contracts and fuel oil swaps are both valued using quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Instruments included in level 2 comprise forward exchange contracts, fuel oil swaps and interest rate swap.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications in 2010.

(ii) Fair value disclosures

The carrying value less provision for doubtful accounts of accounts receivable, other receivables and assets, accounts payable and 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 RMB78.81 billion and approximately RMB14.73 billion as at 31 December 2010 (2009: RMB80.39 billion and RMB14.18 billion), respectively. The aggregate book value of these liabilities was approximately RMB78.97 billion and RMB13.83 billion as at 31 December 2010 (2009: RMB80.52 billion and RMB13.80 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 2010, the strategy of the Company and its subsidiaries remained unchanged from 2009. The debt ratio of the Company and its subsidiaries as at 31 December 2010 was 72.61% (2009: 74.41%).

(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 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 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), respectively. The recoverable amounts of CGU or CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Notes 14 and 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 amounts of goodwill and power generation licence.

For goodwill allocated to CGUs in the PRC, changes of assumptions in tariff and fuel price could have affected the results of goodwill impairment assessment. As at 31 December 2010, 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 RMB412 million and RMB815 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 RMB378 million and RMB806 million, respectively.

For sensitivity analysis of goodwill and power generation licence of Tuas Power, please refer to Note 12.

(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 2010, 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 RMB429 million and RMB8,205 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 RMB277 million and RMB4,552 million, respectively.

(e) Approval of construction of new power plants

The receiving of the ultimate approvals from National Development and Reform Commission ("NDRC") on certain power plant construction projects of the Company and its subsidiaries is a critical estimate and judgment of the directors. Such estimates and judgments are based on initial approval documents received as well as their understanding of the projects. Based on historical experience, the directors believe that the Company and its subsidiaries will receive final approval from NDRC on the related power plant projects. Deviation from the estimate and judgment could result in significant adjustment to the carrying amount of property, plant and equipment.

(Amounts expressed in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION

Revenues recognized during the year are as follows:

	For the year ended 31 December	
	2010	2009
Sales of power and heat	**102,519,813**	76,416,622
Sales of coal	**861,875**	—
Port service	**229,700**	177,448
Transportation service	**10,914**	—
Others	**695,818**	268,826
Total	**104,318,120**	76,862,896

Directors and certain senior management of the Company perform the function as chief operating decision makers (collectively referred to as the "senior management"). The senior management reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. The Company has determined the operating segments based on these reports. In prior year, the operating segments of the Company were grouped into power segment and all other segments. Considering the developments of Singapore operations in 2010, including the commencement of construction of a new generator, the Company expect a continuous increase in significance of the Singapore operations. Hence, the internal reporting was restructured and the Company grouped operating segments into PRC power segment, Singapore segment and all other segments (mainly including port and transportation operations). Therefore, the 2009 comparative figures were restated.

Senior management assesses the performance of the operating segments based on a measure of profit before income tax expense under China Accounting Standard for Business Enterprises ("PRC GAAP") in related periods excluding dividend income received from available-for-sale financial assets and operating results of those centrally managed and resource allocation functions in headquarters. Other information provided, except as noted below, to the senior management of the Company is measured under PRC GAAP.

Segment assets exclude prepaid income tax, deferred income tax assets, available-for-sale financial assets and assets related to those centrally managed and resource allocation functions in headquarters that are not attributable to any operating segment ("corporate assets"). Segment liabilities exclude current income tax liabilities, deferred income tax liabilities and liabilities related to those centrally managed and resource allocation functions in headquarters that are not attributable to any operating segment ("corporate liabilities"). These are part of the reconciliation to total balance sheet assets and liabilities.

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(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

All sales among the operating segments were performed at market price or close to market price, and have been eliminated as internal transactions when preparing consolidated financial statements.

(Under PRC GAAP)

	PRC power segment	Singapore segment	All other segments	Total
For the year ended 31 December 2010				
Total revenue	**88,895,807**	**15,171,281**	**426,072**	**104,493,160**
Inter-segment revenue	**—**	**—**	**(185,458)**	**(185,458)**
Revenue from external customers	**88,895,807**	**15,171,281**	**240,614**	**104,307,702**
Segment results	**3,809,097**	**853,370**	**3,845**	**4,666,312**
Interest income	**50,012**	**38,787**	**227**	**89,026**
Interest expense	**(4,590,503)**	**(421,399)**	**(39,672)**	**(5,051,574)**
Depreciation and amortization	**(9,690,057)**	**(561,847)**	**(52,726)**	**(10,304,630)**
Net gain on disposal of property, plant and equipment	**10,613**	**12,827**	**—**	**23,440**
Share of profits of associates	**493,046**	**—**	**12,763**	**505,809**
Income tax expense	**(739,005)**	**(172,659)**	**(1,432)**	**(913,096)**
For the year ended 31 December 2009 (restated)				
Total revenue	69,057,894	10,506,989	379,426	79,944,309
Inter-segment revenue	—	—	(201,978)	(201,978)
Revenue from external customers	69,057,894	10,506,989	177,448	79,742,331
Segment results	5,503,913	730,718	7,982	6,242,613
Interest income	53,838	10,134	714	64,686
Interest expense	(3,858,727)	(376,747)	(39,439)	(4,274,913)
Depreciation and amortization	(8,653,898)	(512,709)	(46,136)	(9,212,743)
Net (loss)/gain on disposal of property, plant and equipment	(61,979)	13	—	(61,966)
Share of profits of associates	664,497	—	—	664,497
Income tax expense	(510,623)	(144,265)	(1,803)	(656,691)

(Amounts expressed in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

(Under PRC GAAP)

	PRC power segment	Singapore segment	All other segments	Total
31 December 2010				
Segment assets	**183,608,308**	**27,994,439**	**4,544,367**	**216,147,114**
Including:				
Additions to non-current assets (excluding financial assets and deferred income tax assets)	**23,048,297**	**619,373**	**933,981**	**24,601,651**
Investments in associates	**9,103,960**	**—**	**984,545**	**10,088,505**
Investment in a jointly controlled entity	**—**	**—**	**1,058,000**	**1,058,000**
Segment liabilities	**(135,144,759)**	**(17,037,144)**	**(1,163,361)**	**(153,345,264)**
31 December 2009 (restated)				
Segment assets	163,429,263	25,015,546	1,517,972	189,962,781
Including:				
Additions to non-current assets (excluding financial assets and deferred income tax assets)	27,138,580	424,493	36,967	27,600,040
Investments in associates	8,715,779	—	—	8,715,779
Segment liabilities	(120,904,920)	(16,194,453)	(792,750)	(137,892,123)

A reconciliation of revenue from external customers to operating revenue is provided as follows:

	For the year ended 31 December	
	2010	2009
Revenue from external customers (PRC GAAP)	**104,307,702**	79,742,331
Reconciling item:		
Impact of business combination under common control*	**—**	(2,884,007)
Impact of IFRS adjustment**	**10,418**	4,572
Operating revenue per consolidated statement of comprehensive income	**104,318,120**	76,862,896

(Amounts expressed in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

A reconciliation of segment result to profit before income tax expense is provided as follows:

	For the year ended 31 December	
	2010	2009
Segment results (PRC GAAP)	**4,666,312**	6,242,613
Reconciling items:		
Loss related to the headquarters	**(139,128)**	(281,069)
Investment income from China Huaneng Finance Co., Ltd. ("Huaneng Finance")	**66,241**	88,291
Impact of business combination under common control*	**—**	(4,742)
Impact of IFRS adjustments**	**(429,335)**	(341,117)
Profit before income tax expense per consolidated statement of comprehensive income	**4,164,090**	5,703,976

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December 2010	As at 31 December 2009
Total segment assets (PRC GAAP)	**216,147,114**	189,962,781
Reconciling items:		
Investment in Huaneng Finance	**560,213**	570,917
Deferred income tax assets	**867,183**	547,664
Prepaid income tax	**76,429**	40,815
Available-for-sale financial assets	**2,223,814**	2,555,972
Corporate assets	**4,077,994**	318,977
Impact of IFRS adjustments**	**3,985,466**	3,890,053
Total assets per consolidated balance sheet	**227,938,213**	197,887,179

(Amounts expressed in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at 31 December 2010	As at 31 December 2009
Total segment liabilities (PRC GAAP)	**(153,345,264)**	(137,892,123)
Reconciling items:		
Current income tax liabilities	**(280,917)**	(292,509)
Deferred income tax liabilities	**(1,605,716)**	(1,386,493)
Corporate liabilities	**(7,861,633)**	(5,709,119)
Impact of IFRS adjustments**	**(2,419,211)**	(1,958,815)
Total liabilities per consolidated balance sheet	**(165,512,741)**	(147,239,059)

Other material items:

	Reportable segment total	Headquarters	Investment income from Huaneng Finance	Impact of business combination under common control*	Impact of IFRS adjustments**	Total
For the year ended 31 December 2010						
Interest expense	**(5,051,574)**	**(230,975)**	**—**	**—**	**—**	**(5,282,549)**
Depreciation and amortization	**(10,304,630)**	**(25,582)**	**—**	**—**	**(311,713)**	**(10,641,925)**
Share of profits of associates	**505,809**	**—**	**66,241**	**—**	**(3,256)**	**568,794**
Income tax expense	**(913,096)**	**—**	**—**	**—**	**70,421**	**(842,675)**
For the year ended 31 December 2009						
Interest expense	(4,274,913)	(159,070)	—	173,583	—	(4,260,400)
Depreciation and amortization	(9,212,743)	(20,384)	—	725,416	(242,004)	(8,749,715)
Share of profits of associates	664,497	—	88,291	—	3,376	756,164
Income tax expense	(656,691)	—	—	16,671	46,233	(593,787)

* Under PRC GAAP, the business combination under common control is accounted for under merger accounting method; the operating results for all periods presented are retrospectively restated by combining the financial information of the businesses acquired as if they had been combined from the date when the combing entities first came under the control of the controlling party. Therefore, the financial information of business acquired before the acquisition date is shown as the difference between PRC GAAP and IFRS.

** The GAAP adjustments above were primarily represented the classification adjustments and other adjustments, and the GAAP adjustments other than classification were primarily brought forward from prior years. Such differences will be gradually eliminated following subsequent depreciation and amortization of related assets or the extinguishment of liabilities.

(Amounts expressed in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Geographical information (Under IFRS):

(i) External revenue generated from the following countries:

	For the year ended 31 December	
	2010	2009
PRC	**89,146,839**	66,355,907
Singapore	**15,171,281**	10,506,989
	104,318,120	76,862,896

(ii) Non-current assets (excluding financial assets and deferred income tax assets) are located in the following countries:

	As at 31 December 2010	As at 31 December 2009
PRC	**170,736,472**	149,590,150
Singapore	**22,070,398**	21,056,775
	192,806,870	170,646,925

The information on the portion of external revenue of the Company and its subsidiaries which is generated from sales to major customers of the Company and its subsidiaries at amount equal to or more than 10% of external revenue is as follows:

	For the year ended 31 December			
	2010		2009	
	Amount	**Proportion**	Amount	Proportion
ShanDong Electric Power Corporation ("Shandong Power")	**12,486,065**	**12%**	10,457,022	14%
JiangSu Electric Power Company	**13,445,612**	**13%**	10,555,992	14%
ZheJiang Electric Power Corporation	**9,178,465**	**9%**	8,154,374	11%

(Amounts expressed in thousands of RMB unless otherwise stated)

6. PROFIT BEFORE INCOME TAX EXPENSE

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

	For the year ended 31 December	
	2010	2009
Interest expense on bank loans:		
– wholly repayable within five years	**2,982,660**	3,163,483
– not wholly repayable within five years	**1,756,466**	1,234,327
Interest expense on long-term loans from Huaneng Group:		
– wholly repayable within five years	**34,674**	52,969
Interest expense on other long-term loans:		
– wholly repayable within five years	**307,631**	136,193
– not wholly repayable within five years	**1,528**	5,588
Interest expense on long-term bonds	**736,986**	676,902
Interest expense on short-term bonds	**277,121**	287,024
Total interest expense	**6,097,066**	5,556,486
Less: amounts capitalized in property, plant and equipment	**(814,517)**	(1,296,086)
	5,282,549	4,260,400
Auditors' remuneration	**36,448**	29,015
(Gain)/Loss on disposals/write-off of property, plant and equipment, net	**(33,129)**	53,033
Operating leases:		
– Property, plant and equipment	**173,686**	157,717
– Land use rights	**113,379**	96,024
Depreciation of property, plant and equipment	**10,447,021**	8,572,103
Impairment loss of intangible assets	**23,706**	—
Impairment loss of property, plant and equipment	**8,477**	629,674
Impairment of goodwill	**5,276**	—
Amortization of other non-current assets	**64,964**	53,235
Cost of inventories consumed	**68,839,975**	45,694,202
Provision for doubtful accounts	**2,750**	677
Bad debts recovery	**(50)**	(2,623)
(Reversal of)/Provision for inventory obsolescence	**(155)**	29,889

Other operating expenses consist of impairment loss of property, plant and equipment, environmental protection expenses, substituted power arrangement expenses, insurance, cost of coal sales and other miscellaneous expenses, etc..

(Amounts expressed in thousands of RMB unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	The Company and its subsidiaries						
	Port facilities	Buildings	Electric utility plant in service	Transportation facilities	Others	CIP	Total
As at 1 January 2009							
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
Year ended 31 December 2009							
Beginning of the year	1,315,393	1,622,767	87,568,462	81,880	1,265,607	24,883,089	116,737,198
Reclassification	—	8,694	(107,894)	—	99,200	—	—
Acquisitions	—	280,075	6,988,261	—	61,346	287,515	7,617,197
Additions	—	1,659	118,039	—	202,974	25,415,657	25,738,329
Transfer from CIP	—	219,143	17,796,894	26,083	151,557	(18,193,677)	—
Disposals/Write-off	—	(785)	(204,394)	—	(21,581)	—	(226,760)
Depreciation charge	(37,411)	(77,553)	(8,201,190)	(13,538)	(249,638)	—	(8,579,330)
Impairment charge	—	—	(629,674)	—	—	—	(629,674)
Currency translation differences	—	—	107,732	—	3,366	9,278	120,376
End of the year	1,277,982	2,054,000	103,436,236	94,425	1,512,831	32,401,862	140,777,336
As at 31 December 2009							
Cost	1,315,393	3,160,319	173,909,736	233,023	3,389,767	32,401,862	214,410,100
Accumulated depreciation	(37,411)	(1,106,319)	(66,075,937)	(138,598)	(1,876,936)	—	(69,235,201)
Accumulated impairment loss	—	—	(4,397,563)	—	—	—	(4,397,563)
Net book value	1,277,982	2,054,000	103,436,236	94,425	1,512,831	32,401,862	140,777,336

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	The Company and its subsidiaries						
	Port facilities	Buildings	Electric utility plant in service	Transportation facilities	Others	CIP	Total
Year ended 31 December 2010							
Beginning of the year	1,277,982	2,054,000	103,436,236	94,425	1,512,831	32,401,862	140,777,336
Reclassification	—	113,520	(108,441)	—	(5,079)	—	—
Acquisitions	—	266,228	794,500	278,231	91,316	920,993	2,351,268
Additions	—	33,882	210,191	2,577	169,706	22,407,300	22,823,656
Transfer from CIP	—	67,438	22,838,698	—	181,925	(23,088,061)	—
Disposals/Write-off	—	(4,877)	(131,713)	—	(3,225)	(412,905)	(552,720)
Depreciation charge	(37,411)	(131,457)	(10,021,743)	(16,357)	(254,217)	—	(10,461,185)
Impairment charge	—	—	(8,477)	—	—	—	(8,477)
Currency translation differences	—	—	261,223	—	4,644	28,852	294,719
End of the year	1,240,571	2,398,734	117,270,474	358,876	1,697,901	32,258,041	155,224,597
As at 31 December 2010							
Cost	1,315,393	3,743,183	197,907,242	631,198	3,692,177	32,258,041	239,547,234
Accumulated depreciation	(74,822)	(1,344,449)	(76,030,260)	(272,322)	(1,994,276)	—	(79,716,129)
Accumulated impairment loss	—	—	(4,606,508)	—	—	—	(4,606,508)
Net book value	1,240,571	2,398,734	117,270,474	358,876	1,697,901	32,258,041	155,224,597

Included in the disposal of assets under electric utility plant in service and CIP are RMB53.345 million (2009: Nil) and RMB412.905 million (2009: Nil) respectively relating to a finance lease arrangement.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	The Company					
	Buildings	Electric utility plant in service	Transportation facilities	Others	CIP	Total
As at 1 January 2009						
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
Year ended 31 December 2009						
Beginning of the year	858,744	46,952,253	46,336	667,875	14,024,054	62,549,262
Reclassification	2,478	(1,387)	—	(1,091)	—	—
Additions	43	9,994	—	111,017	8,992,535	9,113,589
Transfer from CIP	60,828	13,464,449	25,928	84,851	(13,636,056)	—
Disposals/Write-off	(141)	(97,122)	—	(8,060)	—	(105,323)
Depreciation charge	(31,561)	(4,675,872)	(9,039)	(151,716)	—	(4,868,188)
Impairment charge	—	(550,090)	—	—	—	(550,090)
End of the year	890,391	55,102,225	63,225	702,876	9,380,533	66,139,250
As at 31 December 2009						
Cost	1,456,358	95,944,030	181,200	1,892,476	9,380,533	108,854,597
Accumulated depreciation	(565,967)	(40,291,715)	(117,975)	(1,189,600)	—	(42,165,257)
Accumulated impairment loss	—	(550,090)	—	—	—	(550,090)
Net book value	890,391	55,102,225	63,225	702,876	9,380,533	66,139,250

(Amounts expressed in thousands of RMB unless otherwise stated)

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

	The Company					
	Buildings	Electric utility plant in service	Transportation facilities	Others	CIP	Total
Year ended 31 December 2010						
Beginning of the year	890,391	55,102,225	63,225	702,876	9,380,533	66,139,250
Reclassification	73,006	(71,536)	—	(1,470)	—	—
Acquisitions	—	—	—	181	37,563	37,744
Additions	29,881	3,911	2,426	104,608	6,032,433	6,173,259
Transfer from CIP	19,108	6,738,559	—	134,673	(6,892,340)	—
Disposals/Write-off	(4,326)	(63,227)	—	(4,830)	(281,088)	(353,471)
Depreciation charge	(54,977)	(4,899,283)	(10,473)	(140,284)	—	(5,105,017)
End of the year	953,083	56,810,649	55,178	795,754	8,277,101	66,891,765
As at 31 December 2010						
Cost	1,572,301	102,110,874	183,643	2,062,814	8,277,101	114,206,733
Accumulated depreciation	(619,218)	(44,750,135)	(128,465)	(1,267,060)	—	(46,764,878)
Accumulated impairment loss	—	(550,090)	—	—	—	(550,090)
Net book value	953,083	56,810,649	55,178	795,754	8,277,101	66,891,765

Interest expense of approximately RMB815 million (2009: RMB1,296 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 5.08% (2009: 5.14%) per annum was used.

In 2010, due to continuous increase of coal price and lower profitability, Huaneng Zhuozhou Liyuan Cogeneration Limited Liability Company ("Zhuozhou Cogeneration") has recorded impairment losses of certain property, plant and equipment amounted to RMB8.48 million. The recoverable amounts are determined based on value in use of the related CGU assessed by an independent valuer.

In 2009, in line with the State policy on closing down small-scale generators and constructing and operating large-scale generators as a result of efficiency and environmental protection concerns, Huaneng Xindian Power Plant and Huaneng Weihai Power Limited Liability Company ("Weihai Power Company") have shuted down certain generators. Impairment losses of related property, plant and equipment amounted to RMB550 million and RMB80 million have been recorded based on fair value less costs to sell assessed by an independent valuer. The fair values are determined by reference to the market price.

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES/A JOINTLY CONTROLLED ENTITY

	The Company and its subsidiaries		The Company	
	2010	2009	**2010**	2009
Beginning of the year	**9,568,576**	8,758,235	**8,034,616**	7,486,116
Additional capital injections in associates	**520,630**	343,000	**520,630**	343,000
Establishments of associates	**13,000**	205,500	**13,000**	205,500
Acquisitions of associates	**531,000**	—	**531,000**	—
Acquisition of a jointly controlled entity	**1,058,000**	—	**1,058,000**	—
Share of other comprehensive (loss)/income	**(35,156)**	8,795	**—**	—
Share of profits before income tax expense	**780,405**	1,008,784	**—**	—
Share of income tax expense	**(211,611)**	(252,620)	**—**	—
Dividends	**(251,628)**	(503,118)	**—**	—
End of the year	**11,973,216**	9,568,576	**10,157,246**	8,034,616

As at 31 December 2010, investments in associates/a jointly controlled entity of the Company and its subsidiaries, all of which are unlisted except for Shenzhen Energy Corporation ("SEC") which is listed on the Shenzhen Stock Exchange, were as follows:

Name	Country of incorporation	Registered capital	Business nature and scope of operation	Percentage of equity interest held: Direct	Percentage of equity interest held: Indirect
Associates:					
Shandong Rizhao Power Company Ltd. ("Rizhao Power Company")	PRC	RMB1,245,587,900	Power generation	44%	—
Shenzhen Energy Group Co., Ltd. ("SEG")	PRC	RMB955,555,556	Development, production and sale of regular energy, new energy and energy construction project, etc.	25%	—
SEC*	PRC	RMB2,202,495,332	Energy and investment in related industries	9.08%	—
Hebei Hanfeng Power Generation Limited Liability Company	PRC	RMB1,975,000,000	Power generation	40%	—
Chongqing Huaneng Lime Company Limited ("Lime Company")	PRC	RMB50,000,000	Lime production and sale, construction materials, chemical engineering product	—	25%

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES/A JOINTLY CONTROLLED ENTITY *(Cont'd)*

As at 31 December 2010, investments in associates/a jointly controlled entity of the Company and its subsidiaries, all of which are unlisted except for Shenzhen Energy Corporation ("SEC") which is listed on the Shenzhen Stock Exchange, were as follows: *(Cont'd)*

Name	Country of incorporation	Registered capital	Business nature and scope of operation	Percentage of equity interest held	
				Direct	Indirect
Associates:					
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%	—
Huaneng Sichuan Hydropower Co., Ltd.	PRC	RMB979,600,000	Development, investment, construction, operation and management of hydropower	49%	—
Yangquan Coal Industry Group Huaneng Coal-fired Power Investment Co., Ltd.	PRC	RMB1,000,000,000	Investment, development, consulting and management services of coal and power generation projects	49%	—
Huaneng Shidaowan Nuclear Power Development Co., Ltd.	PRC	RMB1,000,000,000	Preparation for construction of pressurized water reactor power plant project	30%	—
Bianhai Railway Co., Ltd.	PRC	RMB150,000,000	Railway construction, freight transportation, materials supplies, agency service, logistics and storage at coastal industrial base in Yingkou, Liaoning	37%	—
Huaneng Shenbei Co-generation Limited Liability Company	PRC	RMB70,000,000	Production and sales of electricity and heat, construction and operation of power plants	40%	—

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES/A JOINTLY CONTROLLED ENTITY *(Cont'd)*

As at 31 December 2010, investments in associates/a jointly controlled entity of the Company and its subsidiaries, all of which are unlisted except for Shenzhen Energy Corporation ("SEC") which is listed on the Shenzhen Stock Exchange, were as follows: *(Cont'd)*

Name	Country of incorporation	Registered capital	Business nature and scope of operation	Percentage of equity interest held	
				Direct	Indirect
Associates:					
Hainan Nuclear Power Co., Ltd. ("Hainan Nuclear Power")	PRC	RMB403,680,000	Construction and operation of nuclear power plants, production and sales of electricity	30%	—
Zuoquan Longquan Metallurgy Casting Co., Ltd.	PRC	RMB6,450,000	Coal production and sales	34%	—
Jointly controlled entity:					
Shanghai Time Shipping Co. Ltd. ("Shanghai Time Shipping")**	PRC	RMB1,200,000,000	International and domestic sea transportation	50%	—

* The Company holds 200 million shares, representing 9.08% shareholding of SEC, which is also the subsidiary of SEG, one of the Company's associates. Considered the equity interest effectively held by the Company directly and indirectly through SEG, and directors as well as supervisors appointed by the Company in SEC, the Company exercises significant influence on operations of SEC 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.

** In December 2010, the Company acquired 50% equity interest of Shanghai Time Shipping from Huaneng Energy & Communications Holdings Co., Ltd. ("HEC"), a subsidiary of Huaneng Group, at a consideration of RMB1,058 million. There was no investment income recognized during the year.

(Amounts expressed in thousands of RMB unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES/A JOINTLY CONTROLLED ENTITY *(Cont'd)*

The gross amounts of operating results, assets and liabilities (excluding goodwill) of the associates of the Company and its subsidiaries were as follows:

	2010	2009
Assets	86,409,821	78,738,065
Liabilities	(52,408,864)	(49,216,096)
Operating revenue	22,932,949	20,108,958
Profit attributable to equity holders of associates	1,490,081	2,055,591

The following amounts represent the 50% share of the assets and liabilities (excluding goodwill) of the jointly controlled entity of the Company and its subsidiaries.

	2010
Assets	
Non-current assets	2,769,306
Current assets	130,408
	2,899,714
Liabilities	
Non-current liabilities	(1,229,493)
Current liabilities	(630,544)
	(1,860,037)
Net assets	1,039,677

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES

(a) Investments in subsidiaries

As at 31 December 2010, the investments in subsidiaries of the Company and its subsidiaries, all of which are unlisted, were as follows:

(i) Subsidiaries acquired from business combinations under common control

Name of subsidiary	Country of incorporation	Type of legal entity	Registered capital	Business nature and scope of operations	Percentage of equity interest held	
					Direct	Indirect
Huaneng (Suzhou Industrial Park) Power Generation Co. Ltd.	PRC	Limited liability company	RMB632,840,000	Power generation	75%	—
Huaneng Qinbei Power Co., Ltd.	PRC	Limited liability company	RMB810,000,000	Power generation	60%	—
Huaneng Yushe Power Generation Co., Ltd. ("Yushe Power Company")	PRC	Limited liability company	RMB615,760,000	Power generation	60%	—
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	RMB1,748,310,000	Power generation	60%	—
Huaneng Pingliang Power Generation Co., Ltd. ("Pingliang Power Company")	PRC	Limited liability company	RMB924,050,000	Power generation	65%	—
Huaneng Nanjing Jinling Power Co., Ltd. ("Jinling Power")	PRC	Limited liability company	RMB1,902,000,000	Power generation	60%	—
Huaneng Qidong Wind Power Generation Co., Ltd. ("Qidong Wind Power")	PRC	Limited liability company	RMB200,000,000	Development of wind power project, production and sales of electricity	65%	—
Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company ("Yangliuqing Power Company")	PRC	Limited liability company	RMB1,537,130,909	Power generation, heat supply	55%	—
Huaneng Beijing Co-generation Limited Liability Company ("Beijing Cogeneration") (i)	PRC	Limited liability company	RMB1,600,000,000	Construction and operation of power plants and related construction projects	41%	—

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

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES *(Cont'd)*

(a) Investments in subsidiaries *(Cont'd)*

As at 31 December 2010, the investments in subsidiaries of the Company and its subsidiaries, all of which are unlisted, were as follows: *(Cont'd)*

(ii) Subsidiaries acquired from business combinations not under common control or acquired through other ways

Name of subsidiary	Country of incorporation	Type of legal entity	Registered capital	Business nature and scope of operations	Percentage of equity interest held	
					Direct	Indirect
Weihai Power Company	PRC	Limited liability company	RMB761,838,300	Power generation	60%	—
Huaneng Taicang Power Co., Ltd.	PRC	Limited liability company	RMB804,146,700	Power generation	75%	—
Huaneng Huaiyin Power Generation Co. Ltd.	PRC	Limited liability company	RMB265,000,000	Power generation	100%	—
Huaneng Huaiyin II Power Limited Company	PRC	Limited liability company	RMB930,870,000	Power generation	63.64%	—
Huaneng Xindian Power Co., Ltd.	PRC	Limited liability company	RMB100,000,000	Power generation	95%	—
Huaneng Shanghai Combined Cycle Power Limited Liability Company	PRC	Limited liability company	RMB699,700,000	Power generation	70%	—
Huaneng International Power Fuel Limited Liability Company	PRC	Limited liability company	RMB200,000,000	Wholesale of coal	100%	—
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	100%	—
Huaneng Nantong Power Generation Limited Liability Company	PRC	Limited liability company	RMB1,560,000,000	Power generation	70%	—
Huaneng Yingkou Port Limited Liability Company (i)	PRC	Limited liability company	RMB720,235,000	Loading and conveying service	50%	—

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES *(Cont'd)*

(a) Investments in subsidiaries *(Cont'd)*

As at 31 December 2010, the investments in subsidiaries of the Company and its subsidiaries, all of which are unlisted, were as follows: *(Cont'd)*

(ii) Subsidiaries acquired from business combinations not under common control or acquired through other ways *(Cont'd)*

Name of subsidiary	Country of incorporation	Type of legal entity	Registered capital	Business nature and scope of operations	Percentage of equity interest held	
					Direct	Indirect
Huaneng Hunan Xiangqi Hydropower Co., Ltd.	PRC	Limited liability company	RMB100,000,000	Construction, operation and management of hydropower and related projects	100%	—
Huaneng Yingkou Power Generation Limited Liability Company	PRC	Limited liability company	RMB830,000,000	Production and sales of electricity and heat	100%	—
Zhuozhou Cogeneration	PRC	Limited liability company	RMB5,000,000	Construction, operation and management of cogeneration power plants and related projects	100%	—
Huaneng Zuoquan Coal-fired Power Generation Limited Liability Company	PRC	Limited liability company	RMB960,000,000	Preparation of power plant construction and related operation service	80%	—
Huaneng Kangbao Wind Power Utilization Limited Liability Company	PRC	Limited liability company	RMB5,000,000	Construction, operation and management of wind power generation and related projects	100%	—
Huaneng Jiuquan Wind Power Generation Co., Ltd.	PRC	Limited liability company	RMB1,667,000,000	Construction, operation and management of wind power generation and related projects	100%	—
Huaneng Wafangdian Wind Power Generation Co., Ltd.	PRC	Limited liability company	RMB50,000,000	Construction, operation and management of wind power generation and related projects	100%	—

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES *(Cont'd)*

(a) Investments in subsidiaries *(Cont'd)*

As at 31 December 2010, the investments in subsidiaries of the Company and its subsidiaries, all of which are unlisted, were as follows: *(Cont'd)*

(ii) Subsidiaries acquired from business combinations not under common control or acquired through other ways *(Cont'd)*

Name of subsidiary	Country of incorporation	Type of legal entity	Registered capital	Business nature and scope of operations	Percentage of equity interest held	
					Direct	Indirect
Huaneng Changtu Wind Power Generation Co., Ltd.	PRC	Limited liability company	RMB50,000,000	Construction, operation and management of wind power generation and related projects	100%	—
Huaneng Rudong Wind Power Generation Co., Ltd.	PRC	Limited liability company	RMB127,500,000	Construction, operation and management of wind power generation projects	90%	—
Huaneng Guangdong Haimen Port Limited Liability Company	PRC	Limited liability company	RMB10,000,000	Loading and conveying services	100%	—
Kaifeng Xinli Power Generation Co., Ltd.	PRC	Limited liability company	RMB146,920,000	Power generation	—	55%
Huaneng Zhanhua Co-generation Limited Liability Company ("Zhanhua Cogeneration") *(Note39)*	PRC	Limited liability company	RMB190,000,000	Production and sales of electricity	100%	—
Shandong Luneng Sea Transportation Limited Company ("Luneng Sea Transportation") *(Note39)*	PRC	Limited liability company	RMB45,000,000	Cargo transportation along domestic coastal areas	53%	—
Huaneng Qingdao Port Limited Company ("Qingdao Port") *(Note39)*	PRC	Limited liability company	RMB300,000,000	Loading and conveying services	100%	—
Huaneng Jilin Biological Power Generation Limited Company ("Jilin Biological Power") *(Note39)*	PRC	Limited liability company	RMB109,000,000	Power generation	100%	—
SinoSing Power	Singapore	Limited liability company	US$1,098,014,668	Investment holding	100%	—

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES *(Cont'd)*

(a) Investments in subsidiaries *(Cont'd)*

As at 31 December 2010, the investments in subsidiaries of the Company and its subsidiaries, all of which are unlisted, were as follows: *(Cont'd)*

(ii) Subsidiaries acquired from business combinations not under common control or acquired through other ways *(Cont'd)*

Name of subsidiary	Country of incorporation	Type of legal entity	Registered capital	Business nature and scope of operations	Percentage of equity interest held	
					Direct	Indirect
Tuas Power	Singapore	Limited liability company	S$1,338,050,000	Investment holding	—	100%
Tuas Power Supply Pte Ltd.	Singapore	Limited liability company	S$500,000	Power sales	—	100%
TPG	Singapore	Limited liability company	S$1,183,000,001	Power generation and related by products, derivatives; developing power supply resources, operating electricity and power sales	—	100%
TP Asset Management Pte Ltd. ("TPAM") (ii)	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%
TP Utilities Pte Ltd.	Singapore	Limited liability company	S$160,000,001	Provision of utility services	—	100%

Note:

(i) Pursuant to agreements with other shareholders, the Company has controls over these entities.

(ii) On 5 January 2010, the subsidiary of the Company "Tuas Power Utilities Pte Ltd." was renamed as "TPAM".

In 2010 and 2009, no impairment was recognized for investments in subsidiaries.

(Amounts expressed in thousands of RMB unless otherwise stated)

9. INVESTMENTS IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES *(Cont'd)*

(b) Loans to subsidiaries

As at 31 December 2010, the unsecured short-term loans to subsidiaries amounted to approximately RMB11.38 billion (2009: RMB7.93 billion) with annual interest rates ranging from 3.79% to 5.56% (2009: from 3.79% to 7.47%). The unsecured long-term loans to subsidiaries amounted to approximately RMB9.36 billion (2009: 10.40 billion) with annual interest rates ranging from 3.72% to 5.20% (2009: from 3.72% to 5.20%). Since all interest rates were similar to the interest rates offered by the market, the carrying value of the loans to subsidiaries approximated their fair value.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent the 1.56% (2009: 1.56%) equity interest in Yangtze Power, the 10% (2009: 10%) equity interest in Shanxi Xishan Jinxing Energy Co., Ltd. ("Jinxing Energy") and the 0.81% (2009: Nil) equity interest in Inner Mongolia Hohhot Pump Storage Power Generation Co., Ltd. ("Hohhot Power Company"). Yangtze Power is a listed company while Jinxing Energy and Hohhot Power Company are unlisted, all the three investees are incorporated in the PRC. As at 31 December 2010, the Company held approximately 257.56 million (2009: 171.71 million) shares of Yangtze Power. The fair value of Yangtze Power as at 31 December 2010 was determined based on the closing market price of RMB7.57 (2009: RMB13.36) per share quoted on the Shanghai Stock Exchange on the last trading day of 2010.

	The Company and its subsidiaries		The Company	
	2010	2009	**2010**	2009
Beginning of the year	**2,555,972**	1,524,016	**2,555,972**	1,524,016
Investment in Hohhot Power Company	**12,113**	—	**—**	—
Revaluation (loss)/gains	**(344,271)**	1,031,956	**(344,271)**	1,031,956
End of the year	**2,223,814**	2,555,972	**2,211,701**	2,555,972

There were no impairment provisions on available-for-sale financial assets in 2010 and 2009.

11. LAND USE RIGHTS

Details of land use rights are as follows:

	The Company and its subsidiaries As at 31 December		The Company At at 31 December	
	2010	2009	**2010**	2009
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	**4,009,966**	3,817,381	**1,463,734**	1,473,750
Leases of over 50 years	**48,530**	26,338	**17,551**	17,827
	4,058,496	3,843,719	**1,481,285**	1,491,577

(Amounts expressed in thousands of RMB unless otherwise stated)

11. LAND USE RIGHTS *(Cont'd)*

Including in the land use rights above, there are land use rights located in Singapore are classified as finance lease and amortized over 30 years using straight-line method. Movements of related land use rights are as follows:

	2010	2009
Beginning of the year		
Cost	977,887	956,259
Accumulated amortization	(229,778)	(190,089)
Accumulated impairment loss	(222,580)	(217,658)
Net book value	525,529	548,512
Opening net book value	525,529	548,512
Amortization charge	(36,225)	(34,286)
Currency translation differences	26,887	11,303
Closing net book value	516,191	525,529
End of the year		
Cost	1,029,915	977,887
Accumulated amortization	(279,301)	(229,778)
Accumulated impairment loss	(234,423)	(222,580)
Net book value	516,191	525,529

As at 31 December 2010, land use rights of the Company and its subsidiaries amounted to approximately RMB28 million (2009: Nil) were secured to a bank as collateral against a long-term loan of RMB30 million (2009: Nil) (Note 22).

12. POWER GENERATION LICENCE

The movements in the carrying amount of power generation licence during the years are as follows:

	2010	2009
Beginning of the year	3,898,121	3,811,906
Movement:		
Opening net book value	3,898,121	3,811,906
Currency translation differences	207,397	86,215
Closing net book value	4,105,518	3,898,121
End of the year	4,105,518	3,898,121

12. POWER GENERATION LICENCE *(Cont'd)*

Impairment test of power generation licence

Power generation licence belongs to Tuas Power. The recoverable amount of the CGU is determined based on value-in-use calculation. Management has based their assessment of recoverable amount on value-in-use calculations which includes cash flow projections of the CGU in Singapore electricity market in the following 19 years, together with an appropriate terminal value. The period of cash flows beyond 5 years was considered reasonable in the circumstances given that it approximates the useful lives of the underlying operating assets.

Key assumptions used for value-in-use calculation:

Management has assessed that, amongst all assumptions used in the value-in-use calculations, the most sensitive key assumption is the discount rate which was arrived at based on weighted average cost of capital. The discount rate applied in determining the recoverable amounts of the CGU was 6.85% (2009: 6.92%). An absolute change in the discount rate of 0.5% (2009: 0.5%) would result in approximately RMB1,520 million (2009: RMB1,531 million) change in the recoverable amount of the CGU.

Other key assumptions include projection of its business performance based on estimation of future electricity tariffs, volume of electricity sold, fuel prices and other operating expenses, which are largely based on advices from the financial advisor engaged and an external study conducted by industry specialist to project the market demand and supply situation, as well as forward trend of electricity prices. On average, the growth and inflation rates of 2.5% and 2.7% were used in consideration of future expansion plans and new development projects as part of the long-term strategy. The growth rate applied did not exceed the long-term average growth rate of the Singapore market.

Based on the assessments, no impairment was provided for power generation licence.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with International Financial Reporting Standards)

(Amounts expressed in thousands of RMB unless otherwise stated)

13. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments are as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Derivative financial assets				
— Hedging instruments for cash flow hedge (fuel swap contracts)	**144,289**	151,286	**—**	—
— Hedging instruments for cash flow hedge (exchange forward contracts)	**117**	—	**—**	—
— Hedging instruments for cash flow hedge (interest rate swap contracts)	**75,894**	39,586	**—**	39,586
— Financial instruments at fair value through profit or loss (fuel swap contracts)	**3,810**	(4,123)	**—**	—
Total	**224,110**	186,749	**—**	39,586
Less: non-current portion				
— Hedging instruments for cash flow hedge (fuel swap contracts)	**15,486**	5,277	**—**	—
— Hedging instruments for cash flow hedge (exchange forward contracts)	**98**	—	**—**	—
— Hedging instruments for cash flow hedge (interest rate swap contracts)	**75,894**	39,586	**—**	39,586
Total non-current portion	**91,478**	44,863	**—**	39,586
Current portion	**132,632**	141,886	**—**	—
Derivative financial liabilities				
— Hedging instruments for cash flow hedge (fuel swap contracts)	**3,399**	(1,368)	**—**	—
— Hedging instruments for cash flow hedge (exchange forward contracts)	**94,521**	9,345	**—**	—
— Hedging instruments for cash flow hedge (interest rate swap contract)	**82,158**	—	**82,158**	—
— Financial instruments at fair value through profit or loss (fuel swap contracts)	**2,397**	6,276	**—**	—
Total	**182,475**	14,253	**82,158**	—
Less: non-current portion				
— Hedging instruments for cash flow hedge (fuel swap contracts)	**582**	—	**—**	—
— Hedging instruments for cash flow hedge (exchange forward contracts)	**13,123**	850	**—**	—
— Hedging instruments for cash flow hedge (interest rate swap contract)	**82,158**	—	**82,158**	—
Total non-current portion	**95,863**	850	**82,158**	—
Current portion	**86,612**	13,403	**—**	—

For the years ended 31 December 2009 and 2010, no material ineffective portion was recognized in the profit or loss arising from cash flow hedges.

13. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

The Company uses an interest rate swap contract to hedge its interest rate risk against one of its variable-rate loans. The notional principal amount of the outstanding interest rate swap contract at 31 December 2010 was US$ 400 million (RMB equivalents of RMB2,649.08 million) (2009: US$ 400 million (RMB equivalents of RMB2,731.28 million)). Through this arrangement, the Company pays an annual fixed interest of 4.40% while the original annual floating interest expense (6-month LIBOR+1%) attached in the loan is offset by the receivable leg of the interest rate swap. Such a swap is settled on a quarterly basis from September 2009 to September 2019.

TPG uses exchange forward contracts to hedge its foreign exchange risk arising from highly probable forecast purchase transactions. It also uses fuel oil swap contracts to hedge its fuel price risk arising from highly probable forecast purchases of fuel purchases.

TPG also uses various interest rate swap contracts to hedge floating semi-annual interest payments on borrowings with maturity dates up to 2020. The notional principal amount of these outstanding interest rate swap contracts at 31 December 2010 was SGD 1,346 million (RMB equivalents of RMB6,888.62 million) (2009: Nil). Through these arrangements, TPG pays annual fixed interest determined by individual swap contracts while the original annual floating interest expense (6-month SIBOR + 1.65%) attached in the loan is offset by the receivable leg of these interest rate swap contracts. Such swap contracts are settled semi-annually from September 2010 to March 2020. As at 31 December 2010, these interest rate swap contracts are carried on the balance sheet as net financial assets of RMB75.894 million (2009: Nil).

(Amounts expressed in thousands of RMB unless otherwise stated)

13. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

The analysis of contractual cash inflows/(outflows) of major derivative financial instruments are as follows:

		Cash flows			
	Carrying amounts	Contractual cash flows	Within 1 year	Between 1 and 5 years	After 5 years
As at 31 December 2010					
Derivative financial assets					
Fuel derivatives used for hedging (net settlement)	144,289	144,289	128,803	15,486	—
Forward exchange contracts used for hedging					
— inflows		22,855	5,579	17,276	—
— outflows		(22,842)	(5,587)	(17,255)	—
	117	13	(8)	21	—
Net-settled interest rate swaps used for hedging					
— net cash inflows/(outflows)	75,894	78,701	(90,388)	(77,252)	246,341
Fuel derivatives that do not qualify as hedges (net settlement)	3,810	3,810	3,810	—	—
Derivative financial liabilities					
Fuel derivatives used for hedging (net settlement)	3,399	(3,399)	(2,817)	(582)	—
Forward exchange contracts used for hedging					
— inflows		3,854,530	3,609,449	245,081	—
— outflows		(3,950,469)	(3,692,238)	(258,231)	—
	94,521	(95,939)	(82,789)	(13,150)	—
Net-settled interest rate swaps used for hedging					
— net cash inflows/(outflows)	82,158	(69,965)	(74,596)	(64,089)	68,720
Fuel derivatives that do not qualify as hedges (net settlement)	2,397	(2,397)	(2,397)	—	—

(Amounts expressed in thousands of RMB unless otherwise stated)

13. DERIVATIVE FINANCIAL INSTRUMENTS *(Cont'd)*

The analysis of contractual cash inflows/(outflows) of major derivative financial instruments are as follows: *(Cont'd)*

		Cash flows			
	Carrying amounts	Contractual cash flows	Within 1 year	Between 1 and 5 years	After 5 years
As at 31 December 2009					
Derivative financial assets					
Fuel derivatives used for hedging (net settlement)	151,286	151,286	146,012	5,274	—
Fuel derivatives that do not qualify as hedges (net settlement)	(4,123)	(4,123)	(4,123)	—	—
Derivative financial liabilities					
Fuel derivatives used for hedging (net settlement)	(1,368)	1,368	1,368	—	—
Forward exchange contracts used for hedging					
— inflows		2,684,751	2,641,444	43,307	—
— outflows		(2,712,479)	(2,668,293)	(44,186)	—
	9,345	(27,728)	(26,849)	(879)	—
Fuel derivatives that do not qualify as hedges (net settlement)	6,276	(6,276)	(6,276)	—	—

(Amounts expressed in thousands of RMB unless otherwise stated)

14. 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 2008		
Cost	11,238,320	108,938
Accumulated impairment loss	(130,224)	—
Net book value	11,108,096	108,938
Movement in 2009:		
Opening net book value	11,108,096	108,938
Acquisitions (Note 39)	263,708	—
Currency translation differences	239,194	—
Closing net book value	11,610,998	108,938
As at 31 December 2009		
Cost	11,741,222	108,938
Accumulated impairment loss	(130,224)	—
Net book value	11,610,998	108,938
Movement in 2010:		
Opening net book value	**11,610,998**	**108,938**
Acquisitions (Note 39)	**467,980**	**—**
Subsequent adjustment	**(8,198)**	**—**
Impairment charge	**(5,276)**	**—**
Currency translation differences	**575,400**	**—**
Closing net book value	**12,640,904**	**108,938**
As at 31 December 2010		
Cost	**12,776,404**	**108,938**
Accumulated impairment loss	**(135,500)**	**—**
Net book value	**12,640,904**	**108,938**

(Amounts expressed in thousands of RMB unless otherwise stated)

14. GOODWILL *(Cont'd)*

Impairment tests for goodwill

Goodwill is allocated to the CGUs of the Company and its subsidiaries.

The carrying amounts of major goodwill allocated to individual CGUs are as follows:

	2010	2009
PRC Power segment:		
Yueyang Power Company	**100,907**	100,907
Pingliang Power Company	**107,735**	107,735
Beijing Cogeneration	**95,088**	103,286
Yangliuqing Power Company	**151,459**	151,459
Zhanhua Cogeneration	**291,734**	—
Yushe Power Company	**—**	5,276
Singapore segment:		
Tuas Power	**11,478,473**	10,903,073

The recoverable amount of a CGU is determined based on value-in-use calculations. For domestic CGUs, these calculations use cash flow projections based on management's financial budgets covering periods of no more five years. The Company expects cash flows beyond such periods will be similar to that of the respective final forecast years on existing production capacity. In connection to the goodwill attached to Tuas Power, management has based their assessment of recoverable amount on value-in-use calculations which includes cash flow projections of the CGU in Singapore electricity market in the following 19 years, together with an appropriate terminal value. The period of cash flows beyond 5 years was considered reasonable in the circumstances given that it approximates the useful lives of the underlying operating assets. On average, the growth and inflation rates of 2.5% and 2.7%, were used in consideration of future expansion plans and new development projects as part of the long-term strategy. The growth rate applied did not exceed the long-term average growth rate for the Singapore market.

Discount rates used for value-in-use calculations:

Yueyang Power Company	7.52%
Pingliang Power Company	7.52%
Tuas Power	6.85%
Beijing Cogeneration	7.52%
Yangliuqing Power Company	7.52%
Zhanhua Cogeneration	7.52%
Yushe Power Company	7.52%

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 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. Please refer to Notes 4 and 12 for details of respective sensitivity analysis on domestic and oversea CGU impairment testing.

In 2010, based on the assessments, except for the goodwill arising from acquisition of Yushe Power Company, no goodwill was impaired. Due to the continuous increase in coal price and lower profitability, full impairment of related goodwill was provided based on the result of impairment test. In 2009, no goodwill was impaired.

(Amounts expressed in thousands of RMB unless otherwise stated)

15. 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	
	2010	2009	**2010**	2009
Prepayments for acquisitions*	**3,834,774**	—	**3,834,774**	—
Intangible assets**	**388,705**	403,074	**47,420**	35,333
Deferred housing loss	**12,078**	29,312	**771**	4,109
Prepayments for switchhouse and metering station	**16,472**	16,894	**—**	—
Prepaid connection fees	**103,769**	124,007	**—**	—
Prepaid territorial waters use right	**142,981**	146,042	**142,505**	145,556
Finance lease receivables	**587,427**	148,637	**—**	—
Others	**305,360**	155,130	**19,553**	15,253
Total	**5,391,566**	1,023,096	**4,045,023**	200,251

* Prepayments for acquisitions primarily represent prepayments for acquisitions of certain equity interests. Please refer to Note 37(a)(ii) for details.

** The intangible assets consist of software, patented technologies and land use rights granted by government. In 2010, impairment amounted to RMB23.71 million was provided on patented technology (2009: Nil).

16. INVENTORIES

Inventories comprised:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Fuel (coal and oil) for power generation	**4,024,586**	2,986,233	**1,792,278**	1,117,742
Materials and supplies	**1,357,201**	1,283,431	**615,796**	619,715
	5,381,787	4,269,664	**2,408,074**	1,737,457
Less: provision for inventory obsolescence	**(191,352)**	(185,678)	**(38,004)**	(38,017)
	5,190,435	4,083,986	**2,370,070**	1,699,440

(Amounts expressed in thousands of RMB unless otherwise stated)

16. INVENTORIES *(Cont'd)*

Movements of provision for inventory obsolescence during the years are analyzed as follows:

	The Company and its subsidiaries		The Company	
	2010	2009	**2010**	2009
Beginning of the year	**(185,678)**	(145,549)	**(38,017)**	(8,071)
Acquisitions	**—**	(8,380)	**—**	—
Provision	**—**	(31,023)	**—**	(31,023)
Reversal	**155**	1,134	**13**	429
Write-offs	**411**	736	**—**	648
Currency translation differences	**(6,240)**	(2,596)	**—**	—
End of the year	**(191,352)**	(185,678)	**(38,004)**	(38,017)

17. OTHER RECEIVABLES AND ASSETS

Other receivables and assets comprised the following:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Prepayments for inventories	**926,602**	783,672	**599,154**	702,709
Prepayments for constructions	**457,593**	407,920	**233,229**	304,075
Prepayments for investments	**373,440**	387,000	**373,440**	387,000
Prepaid income tax	**76,429**	40,815	**57,537**	—
Others	**188,980**	41,792	**54,667**	7,507
Total prepayments	**2,023,044**	1,661,199	**1,318,027**	1,401,291
Staff advances	**15,558**	13,032	**6,477**	6,618
Dividends receivable	**—**	—	**78,750**	58,601
Financial lease receivables	**101,333**	19,548	**—**	—
Fuel receivables	**260,448**	—	**—**	—
Others	**656,130**	618,851	**726,483**	612,118
Subtotal of other receivables	**1,033,469**	651,431	**811,710**	677,337
Less: provision for doubtful accounts	**(42,045)**	(38,628)	**(17,781)**	(17,820)
Total other receivables, net	**991,424**	612,803	**793,929**	659,517
VAT recoverable	**2,761,570**	2,194,938	**765,937**	922,959
Gross total	**5,818,083**	4,507,568	**2,895,674**	3,001,587
Net total	**5,776,038**	4,468,940	**2,877,893**	2,983,767

Please refer to Note 34 for details of other receivables and assets due from the related parties.

(Amounts expressed in thousands of RMB unless otherwise stated)

17. OTHER RECEIVABLES AND ASSETS *(Cont'd)*

The gross amounts of other 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	
	2010	2009	**2010**	2009
RMB	**926,218**	576,884	**811,710**	677,337
S$ (RMB equivalent)	**53,760**	74,144	**—**	—
US$ (RMB equivalent)	**53,491**	403	**—**	—
Total	**1,033,469**	651,431	**811,710**	677,337

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	
	2010	2009	**2010**	2009
Beginning of the year	**(38,628)**	(26,292)	**(17,820)**	(17,867)
Acquisitions	**—**	(15,602)	**—**	—
Provision	**(5,457)**	(1)	**—**	(1)
Reversal	**2,040**	18	**39**	18
Write-off	**—**	3,249	**—**	30
End of the year	**(42,045)**	(38,628)	**(17,781)**	(17,820)

As at 31 December 2010, there was no indication of impairment relating to other receivables which were not past due and no provision was made. Other receivables of RMB86 million (2009: RMB89 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	
	2010	2009	**2010**	2009
Between 1 to 2 years	**10,375**	28,455	**5,893**	504
Between 2 to 3 years	**23,656**	11,902	**26**	813
Over 3 years	**51,991**	48,743	**3,327**	6,040
	86,022	89,100	**9,246**	7,357

(Amounts expressed in thousands of RMB unless otherwise stated)

17. OTHER RECEIVABLES AND ASSETS *(Cont'd)*

As at 31 December 2010, other receivables of RMB48 million (2009: RMB45 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	
	2010	2009	**2010**	2009
Over 3 years	**48,140**	44,874	**24,117**	24,307

18. ACCOUNTS RECEIVABLE

Accounts receivable comprised the following:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Accounts receivable	**10,297,602**	9,717,681	**5,186,803**	5,231,868
Notes receivable	**636,542**	351,630	**139,100**	41,816
	10,934,144	10,069,311	**5,325,903**	5,273,684
Less: provision for doubtful accounts	**(25,008)**	(26,408)	**—**	—
	10,909,136	10,042,903	**5,325,903**	5,273,684

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	
	2010	2009	**2010**	2009
RMB	**9,754,539**	9,167,806	**5,325,903**	5,273,684
S$ (RMB equivalent)	**1,130,623**	817,416	**—**	—
US$ (RMB equivalent)	**48,982**	84,089	**—**	—
Total	**10,934,144**	10,069,311	**5,325,903**	5,273,684

(Amounts expressed in thousands of RMB unless otherwise stated)

18. ACCOUNTS RECEIVABLE *(Cont'd)*

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 billings. Certain accounts receivables of Singapore subsidiaries are backed by bankers' guarantees and/or deposit from customers. It is not practicable to determine the fair value of the collateral that correspond to these accounts receivables.

As at 31 December 2010, accounts receivable of the Company and its subsidiaries of approximately RMB1,513 million (2009: RMB1,032 million) was secured to a bank as collateral against short-term loans of RMB1,389 million (2009: RMB698 million) (Note 28). As at 31 December 2010, notes receivable of the Company and its subsidiaries of approximately RMB10 million (2009: Nil) was secured to a bank as collateral against notes payable of RMB7 million (2009: Nil) (Note 25).

Movements of provision for doubtful accounts during the years are analyzed as follows:

	The Company and its subsidiaries		**The Company**	
	2010	2009	**2010**	2009
Beginning of the year	**(26,408)**	(25,589)	**—**	—
Provision	**—**	(1,110)	**—**	—
Reversal	**667**	416	**—**	—
Write-off	**4**	—	**—**	—
Currency translation differences	**729**	(125)	**—**	—
End of the year	**(25,008)**	(26,408)	**—**	—

Ageing analysis of accounts receivable was as follows:

	The Company and its subsidiaries As at 31 December		**The Company As at 31 December**	
	2010	2009	**2010**	2009
Within 1 year	**10,904,522**	10,035,455	**5,325,903**	5,269,683
Between 1 to 2 years	**535**	29,726	**—**	4,001
Between 2 to 3 years	**24,957**	—	**—**	—
Over 3 years	**4,130**	4,130	**—**	—
	10,934,144	10,069,311	**5,325,903**	5,273,684

As at 31 December 2010, the maturity period of the notes receivable ranged from 1 to 6 months (2009: from 3 to 7 months).

(Amounts expressed in thousands of RMB unless otherwise stated)

18. ACCOUNTS RECEIVABLE *(Cont'd)*

As at 31 December 2010, there was no indication of impairment relating to accounts receivable which were not past due and no provision was made. Accounts receivable of RMB18 million (2009: RMB10 million) were past due but not impaired. These mainly related to overdue notes receivable which will be collected when related supporting documents are provided and certain accounts receivables of Singapore subsidiaries which are backed by bankers' guarantees and/or deposit from customers.

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	
	2010	2009	**2010**	2009
2 months to 1 year	**18,429**	9,611	**—**	4,197

As at 31 December 2010, accounts receivable of RMB25 million (2009: RMB26 million) were impaired due to the bankruptcy of the clients. The amount of the provision was RMB25 million as at 31 December 2010 (2009: RMB26 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	
	2010	2009	**2010**	2009
Less than 1 year	**27**	1,143	**—**	—
Between 1 to 2 years	**489**	25,265	**—**	—
Between 2 to 3 years	**24,492**	—	**—**	—
	25,008	26,408	**—**	—

(Amounts expressed in thousands of RMB unless otherwise stated)

19. SHARE CAPITAL

	The Company			
	2010		2009	
	Number of shares	**Share capital**	Number of shares	Share capital
		RMB'000		*RMB'000*
As at 1 January				
A shares	**9,000,000,000**	**9,000,000**	9,000,000,000	9,000,000
Overseas listed foreign shares	**3,055,383,440**	**3,055,383**	3,055,383,440	3,055,383
Subtotal	**12,055,383,440**	**12,055,383**	12,055,383,440	12,055,383
Issuance of shares				
A shares	**1,500,000,000**	**1,500,000**	—	—
Overseas listed foreign shares	**500,000,000**	**500,000**	—	—
Subtotal	**2,000,000,000**	**2,000,000**	—	—
As at 31 December				
A shares	**10,500,000,000**	**10,500,000**	9,000,000,000	9,000,000
Overseas listed foreign shares	**3,555,383,440**	**3,555,383**	3,055,383,440	3,055,383
Total	**14,055,383,440**	**14,055,383**	12,055,383,440	12,055,383

In December 2010, the Company issued 1,500,000,000 A shares (par value of RMB1.00 each) and 500,000,000 H shares (par value of RMB1.00 each) through private placement, respectively. Net proceeds from the issuance amounted to RMB10.274 billion after deducting issuance costs of RMB107 million from gross proceeds of RMB10.381 billion. The difference between the net proceeds and the addition to paid-in capital is recorded in capital surplus. In addition, the additions to other capital surplus mainly represented the capital funds allocated from government budget received from Ministry of Finance of PRC through Huaneng Group.

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. Of the issued A shares, 7,621,786,667 shares (2009: 6,121,786,667 shares) are still within the lock-up periods.

20. 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. The Company has the option to cease provision for such reserve when it reaches 50% of the registered share capital. 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. According to the Company's articles of association, the Company appropriated 10% of this year's net profit under PRC GAAP to the statutory surplus reserve, amounting to RMB354 million.

On 22 June 2010, upon the approval from the annual general meeting of the shareholders, the Company appropriated 10% of profit attributable to equity holders of the Company for the year ended 31 December 2009 determined under the PRC GAAP to the statutory surplus reserve amounting to RMB508 million. Such appropriation was recorded in 2010 upon approval.

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 years ended 31 December 2009 and 2010, no provision was made to the discretionary surplus reserve.

According to the articles of association, distributable profit of the Company is derived based on the lower of amounts determined in accordance with (a) PRC GAAP and (b) IFRS. The amount of distributable profit resulting from the current year operation for the year ended 31 December 2010 was approximately RMB2.99 billion (2009: RMB4.93 billion). The cumulative balance of distributable profit as at 31 December 2010 was approximately RMB13.979 billion (2009: RMB13.831 billion).

21. DIVIDENDS

On 29 March 2011, the Board of Directors proposed a cash dividend of RMB0.20 per share, totaling approximately RMB2,811 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 2011.

On 22 June 2010, upon the approval from the annual general meeting of the shareholders, the Company declared 2009 final dividend of RMB0.21 (2008 final: RMB0.10) per ordinary share, totaled approximately RMB2,528 million (2008 final: RMB1,206 million).

(Amounts expressed in thousands of RMB unless otherwise stated)

22. LONG-TERM LOANS

Long-term loans comprised the following:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Loans from Huaneng Group (a)	**800,000**	800,000	**—**	—
Bank loans (b)	**70,884,020**	72,052,664	**31,505,381**	32,592,196
Other loans (c)	**7,283,433**	7,664,339	**7,000,000**	7,000,000
	78,967,453	80,517,003	**38,505,381**	39,592,196
Less: Current portion of long-term loans	**(13,782,550)**	(9,250,248)	**(8,766,245)**	(7,073,302)
	65,184,903	71,266,755	**29,739,136**	32,518,894

(a) Loans from Huaneng Group

Details of loans from Huaneng Group of the Company and its subsidiaries are as follows:

	The Company and its subsidiaries As at 31 December 2010				
	Original currency '000	**RMB equivalent**	**Less: Current portion**	**Non-current portion**	**Annual interest rate**
Loans from Huaneng Group					
Unsecured					
RMB					
— Fixed rate	**800,000**	**800,000**	**—**	**800,000**	**4.05%-4.60%**

	The Company and its subsidiaries As at 31 December 2009				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Loans from Huaneng Group					
Unsecured					
RMB					
— Fixed rate	800,000	800,000	—	800,000	4.05%-4.60%

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(b) Bank loans

Details of bank loans of the Company and its subsidiaries are as follows:

	The Company and its subsidiaries As at 31 December 2010				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Bank loans					
Secured					
RMB					
— Fixed rate	**30,000**	**30,000**	**—**	**30,000**	**5.45%**
Unsecured					
RMB					
— Fixed rate	**48,127,488**	**48,127,488**	**(10,178,375)**	**37,949,113**	**3.51%-5.94%**
US$					
— Fixed rate	**130,863**	**866,665**	**(627,083)**	**239,582**	**5.95%-6.97%**
— Variable rate	**810,614**	**5,368,452**	**(459,399)**	**4,909,053**	**0.51%-2.94%**
S$					
— Variable rate	**3,057,689**	**15,652,617**	**(286,275)**	**15,366,342**	**2.15%-2.46%**
€					
— Fixed rate	**95,247**	**838,798**	**(82,283)**	**756,515**	**2.00%-2.15%**
		70,884,020	**(11,633,415)**	**59,250,605**	

	The Company and its subsidiaries As at 31 December 2009				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Bank loans					
Unsecured					
RMB					
— Fixed rate	48,971,239	48,971,239	(8,316,379)	40,654,860	3.60%-7.56%
US$					
— Fixed rate	225,791	1,541,744	(648,187)	893,557	5.95%-6.97%
— Variable rate	816,208	5,573,234	(43,204)	5,530,030	1.44%-3.57%
S$					
— Variable rate	3,074,120	14,941,760	(77,444)	14,864,316	2.41%-2.46%
€					
— Fixed rate	104,591	1,024,687	(91,539)	933,148	2.00%-2.15%
		72,052,664	(9,176,753)	62,875,911	

As at 31 December 2010, a long-term loan of RMB30 million (2009: Nil) is secured by land use rights of the Company and its subsidiaries with net book value amounting to RMB28 million (2009: Nil).

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(b) Bank loans *(Cont'd)*

Details of bank loans of the Company are as follows:

	The Company As at 31 December 2010				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Bank loans					
Unsecured					
RMB					
— Fixed rate	25,430,000	25,430,000	(5,839,500)	19,590,500	3.51%-5.53%
US$					
— Fixed rate	106,743	706,929	(467,346)	239,583	5.95%-6.60%
— Variable rate	810,614	5,368,452	(459,399)	4,909,053	0.51%-2.94%
		31,505,381	(6,766,245)	24,739,136	

	The Company As at 31 December 2009				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Bank loans					
Unsecured					
RMB					
— Fixed rate	25,808,250	25,808,250	(6,548,250)	19,260,000	3.60%-7.05%
US$					
— Fixed rate	177,311	1,210,712	(481,848)	728,864	5.95%-6.60%
— Variable rate	816,208	5,573,234	(43,204)	5,530,030	1.44%-3.54%
		32,592,196	(7,073,302)	25,518,894	

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(c) Other loans

Details of other loans of the Company and its subsidiaries are as follows:

	The Company and its subsidiaries As at 31 December 2010				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Other loans					
Unsecured					
RMB					
— Fixed rate	7,230,000	7,230,000	(2,130,000)	5,100,000	4.05%-4.86%
US$					
— Variable rate	1,429	9,461	(9,461)	—	0.93%-1.18%
S$					
— Variable rate	6,700	34,298	—	34,298	4.25%
JPY					
— Variable rate	119,048	9,674	(9,674)	—	0.66%-0.85%
		7,283,433	(2,149,135)	5,134,298	

	The Company and its subsidiaries As at 31 December 2009				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Other loans					
Unsecured					
RMB					
— Fixed rate	7,573,000	7,573,000	(36,420)	7,536,580	4.05%-5.35%
US$					
— Variable rate	4,286	29,263	(19,508)	9,755	2.99%-5.87%
S$					
— Variable rate	7,350	35,725	—	35,725	4.25%
JPY					
— Variable rate	357,143	26,351	(17,567)	8,784	2.76%-5.80%
		7,664,339	(73,495)	7,590,844	

As at 31 December 2010, the balance of other long-term loans that drawn from Huaneng Finance amounted to approximately RMB230 million (2009: RMB230 million) with annual interest rate of 4.86% (2009: 4.86%).

As at 31 December 2009, the balance of other long-term loans that drawn from Huaneng New Energy Industrial Holding Limited Company ("Huaneng New Energy") amounted to approximately RMB343 million with annual interest rate of 5.35%. Such loans were repaid during 2010.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(c) Other loans *(Cont'd)*

Details of other loans of the Company are as follows:

	The Company As at 31 December 2010				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Other loans					
Unsecured					
RMB					
— Fixed rate	7,000,000	7,000,000	(2,000,000)	5,000,000	4.05%-4.39%

	The Company As at 31 December 2009				
	Original currency '000	RMB equivalent	Less: Current portion	Non-current portion	Annual interest rate
Other loans					
Unsecured					
RMB					
— Fixed rate	7,000,000	7,000,000	—	7,000,000	4.05%-4.16%

(Amounts expressed in thousands of RMB unless otherwise stated)

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

The maturity of long-term loans is as follows:

	The Company and its subsidiaries					
	Loans from Huaneng Group As at 31 December		Bank loans As at 31 December		Other loans As at 31 December	
	2010	2009	**2010**	2009	**2010**	2009
1 year or less	**—**	—	**11,633,415**	9,176,753	**2,149,135**	73,495
More than 1 year but not more than 2 years	**—**	—	**9,430,148**	11,200,847	**5,100,000**	2,184,960
More than 2 years but not more than 3 years	**800,000**	—	**6,416,367**	9,362,619	**—**	5,136,420
More than 3 years but not more than 4 years	**—**	800,000	**4, 693,465**	4,021,916	**—**	36,420
More than 4 years but not more than 5 years	**—**	—	**2,724,282**	4,665,916	**—**	36,420
More than 5 years	**—**	—	**35,986,343**	33,624,613	**34,298**	196,624
	800,000	800,000	**70,884,020**	72,052,664	**7,283,433**	7,664,339
Less: amount due within 1 year included under current liabilities	**—**	—	**(11,633,415)**	(9,176,753)	**(2,149,135)**	(73,495)
	800,000	800,000	**59,250,605**	62,875,911	**5,134,298**	7,590,844

	The Company			
	Bank loans As at 31 December		Other loans As at 31 December	
	2010	2009	**2010**	2009
1 year or less	**6,766,245**	7,073,302	**2,000,000**	—
More than 1 year but not more than 2 years	**6,283,214**	5,895,002	**5,000,000**	2,000,000
More than 2 years but not more than 3 years	**2,566,203**	5,752,226	**—**	5,000,000
More than 3 years but not more than 4 years	**3,251,203**	781,523	**—**	—
More than 4 years but not more than 5 years	**1,013,606**	3,016,523	**—**	—
More than 5 years	**11,624,910**	10,073,620	**—**	—
	31,505,381	32,592,196	**7,000,000**	7,000,000
Less: amount due within 1 year included under current liabilities	**(6,766,245)**	(7,073,302)	**(2,000,000)**	—
	24,739,136	25,518,894	**5,000,000**	7,000,000

(Amounts expressed in thousands of RMB unless otherwise stated)

22. 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	
	2010	2009	**2010**	2009
Loans from Huaneng Group				
— Wholly repayable within five years	**800,000**	800,000	**—**	—
Bank loans				
— Wholly repayable within five years	**25,869,171**	30,509,912	**16,095,496**	19,513,911
— Not wholly repayable within five years	**45,014,849**	41,542,752	**15,409,885**	13,078,285
	70,884,020	72,052,664	**31,505,381**	32,592,196
Other loans				
— Wholly repayable within five years	**7,249,135**	7,285,614	**7,000,000**	7,000,000
— Not wholly repayable within five years	**34,298**	378,725	**—**	—
	7,283,433	7,664,339	**7,000,000**	7,000,000

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	
	2010	2009	**2010**	2009
1 year or less	**3,209,859**	3,702,854	**1,638,525**	1,920,472
More than 1 year but not more than 2 years	**2,394,177**	2,815,074	**1,034,968**	1,358,784
More than 2 years but not more than 5 years	**5,104,702**	5,094,834	**1,916,285**	1,929,646
More than 5 years	**7,603,726**	7,236,737	**2,173,483**	1,820,345
Total	**18,312,464**	18,849,499	**6,763,261**	7,029,247

(Amounts expressed in thousands of RMB unless otherwise stated)

23. 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 total actual proceeds received by the Company were 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 2010, interest payables for these bonds above amounted to approximately RMB6.79 million (2009: RMB6.79 million).

The Company also 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 were 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 is RMB208 million. As at 31 December 2010, interest payable for these bonds above amounted to approximately RMB134.19 million (2009: RMB134.19 million).

Please refer to Note 34(c) for details of long-term bonds of the Company guaranteed by HIPDC and government-related banks.

The Company issued medium-term notes with maturity of 5 years in May 2009 with face value of RMB4 billion bearing annual interest rate of 3.72%. The actual proceeds received by the Company were approximately RMB3.940 billion. These notes are denominated in RMB and issued at par. Interest is payable annually while principal will be paid when the notes fall due. The annual effective interest rate of these notes is 4.06%. Interest paid per annum during the tenure of the notes is RMB149 million. As at 31 December 2010, interest payable for these notes above amounted to approximately RMB94.17 million (2009: RMB94.17 million).

24. OTHER NON-CURRENT LIABILITIES

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Environmental subsidies (a)	**608,369**	610,161	**463,823**	462,732
Other	**189,189**	140,208	**90,629**	99,943
	797,558	750,369	**554,452**	562,675

(a) Such grants represented primarily subsidies for the construction of desulphurization equipment and other environmental protection projects.

In 2010, the government grants which were credited to the statement of comprehensive income amounted to RMB61.53 million (2009: RMB53.33 million).

(Amounts expressed in thousands of RMB unless otherwise stated)

25. 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	
	2010	2009	**2010**	2009
Accounts and notes payable	**5,415,145**	4,386,461	**2,474,978**	2,162,818
Amounts received in advance	**957,204**	932,625	**900,297**	875,349
Payables to contractors for construction	**10,400,153**	6,745,033	**2,907,322**	3,581,885
Consideration payables for acquisitions	**309,111**	—	**309,111**	—
Accrued interests	**577,023**	558,494	**393,939**	409,056
Accrued pollutants discharge fees	**89,590**	75,303	**37,983**	44,489
Accrued water-resources fees	**19,778**	59,272	**4,675**	44,967
Accrued service fee of intermediaries	**45,235**	43,217	**45,235**	43,217
Others	**1,742,082**	1,724,215	**701,635**	1,102,223
	19,555,321	14,524,620	**7,775,175**	8,264,004

Please refer to Note 34 for details of accounts payable and other liabilities due to the related parties.

As at 31 December 2010, notes payable of RMB7 million (2009: Nil) were secured by notes receivable of the Company and its subsidiaries with net book value amounting to RMB10 million (2009: Nil) (Note 18).

The carrying amounts of financial liabilities included in 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	
	2010	2009	**2010**	2009
RMB	**17,665,058**	12,600,051	**6,874,878**	7,388,655
S$ (RMB equivalent)	**383,582**	433,844	**—**	—
US$ (RMB equivalent)	**512,432**	525,152	**—**	—
JPY (RMB equivalent)	**36,254**	32,948	**—**	—
EUR (RMB equivalent)	**503**	—	**—**	—
GBP (RMB equivalent)	**87**	—	**—**	—
AUD (RMB equivalent)	**201**	—	**—**	—
Total	**18,598,117**	13,591,995	**6,874,878**	7,388,655

(Amounts expressed in thousands of RMB unless otherwise stated)

25. ACCOUNTS PAYABLE AND OTHER LIABILITIES *(Cont'd)*

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	
	2010	2009	**2010**	2009
Accounts and notes payable				
Within 1 year	**5,357,560**	4,365,569	**2,460,391**	2,161,409
Between 1 to 2 years	**26,703**	5,875	**14,035**	1,028
Over 2 years	**30,882**	15,017	**552**	381
Total	**5,415,145**	4,386,461	**2,474,978**	2,162,818

26. TAXES PAYABLE

Taxes payable comprises:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
VAT payable	**333,623**	237,422	**186,907**	92,999
Income tax payable	**280,917**	292,509	**—**	162,680
Others	**129,683**	120,869	**68,000**	54,182
	744,223	650,800	**254,907**	309,861

27. SHORT-TERM BONDS

The Company issued unsecured short-term bonds amounting to RMB5 billion bearing annual interest rate of 3.20% in July 2010. 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 these bonds is 3.61%. As at 31 December 2010, interest payables for these bonds above amounted to approximately RMB80.22 million.

The Company issued unsecured short-term bonds with face values of RMB5 billion, RMB5 billion and RMB5 billion bearing annual interest rates of 1.88%, 2.32% and 2.55% in February 2009, September 2009 and March 2010, respectively. Such bonds are denominated in RMB, issued at face value and matured in 365 days, 270 days and 270 days from the issuance dates, respectively. The annual effective interest rates of these bonds are 2.29%, 2.87% and 3.11%, respectively. As at 31 December 2010, such short-term bonds were fully repaid on schedule.

(Amounts expressed in thousands of RMB unless otherwise stated)

28. SHORT-TERM LOANS

Short-term loans are as follows:

	The Company and its subsidiaries					
	As at 31 December 2010			As at 31 December 2009		
	Original currency '000	RMB equivalent	Annual interest rate	Original currency '000	RMB equivalent	Annual interest rate
Secured						
RMB						
— Fixed rate	1,389,450	1,389,450	3.89%-4.13%	698,362	698,362	3.89%-4.54%
— Fixed rate-discounted notes receivable	10,000	10,000	2.40%-5.04%	141,594	141,594	2.28%-5.70%
		1,399,450			839,956	
Unsecured						
RMB						
— Fixed rate	42,647,734	42,647,734	3.79%-5.72%	23,885,000	23,885,000	3.79%-7.47%
S$						
— Variable rate	—	—	—	1,000	4,860	1.81%-2.10%
		42,647,734			23,889,860	
		44,047,184			24,729,816	

As at 31 December 2010, short-term loans of RMB1,389 million (2009: RMB698 million) were secured by accounts receivable of the Company with net book value amounting to RMB1,513 million (2009: RMB1,032 million).

As at 31 December 2010, short-term loans of RMB10 million (2009: RMB142 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 2010, short-term loans from Huaneng Finance amounted to RMB605 million (2009: RMB100 million). For the year ended 31 December 2010, the annual interest rates for these loans was 4.78% (2009: from 4.78% to 6.72%).

As at 31 December 2010, short-term loans from Huaneng Guicheng Trust Co., Ltd. ("Huaneng Guicheng Trust") amounted to RMB3,180 million (2009: Nil). For the year ended 31 December 2010, the annual interest rates for these loans ranged from 4.35% to 4.94% (2009: Nil).

(Amounts expressed in thousands of RMB unless otherwise stated)

28. SHORT-TERM LOANS *(Cont'd)*

	The Company					
	As at 31 December 2010			As at 31 December 2009		
	Original currency '000	**RMB equivalent**	**Annual interest rate**	Original currency '000	RMB equivalent	Annual interest rate
Secured						
RMB						
– Fixed rate	**1,389,450**	**1,389,450**	**3.89%-4.13%**	698,362	698,362	3.89%-4.54%
Unsecured						
RMB						
– Fixed rate	**31,603,734**	**31,603,734**	**3.79%-5.00%**	16,940,000	16,940,000	3.79%-7.47%
		32,993,184			17,638,362	

At the company level, as at 31 December 2010, short-term loans from Huaneng Guicheng Trust amounted to RMB3,000 million (2009: Nil). For the year ended 31 December 2010, the annual interest rates for these loans ranged from 4.35% to 4.76% (2009: Nil).

29. 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	
	2010	2009	**2010**	2009
Deferred income tax assets:				
– Deferred income tax assets to be recovered after more than 12 months	**881,265**	771,134	**616,137**	531,007
– Deferred income tax assets to be recovered within 12 months	**321,232**	285,599	**240,239**	198,835
	1,202,497	1,056,733	**856,376**	729,842
Deferred income tax liabilities:				
– Deferred income tax liabilities to be realized after more than 12 months	**(2,413,676)**	(2,359,869)	**(356,057)**	(447,362)
– Deferred income tax liabilities to be realized within 12 months	**(82,733)**	(161,493)	**(6,201)**	(69,958)
	(2,496,409)	(2,521,362)	**(362,258)**	(517,320)
	(1,293,912)	(1,464,629)	**494,118**	212,522

(Amounts expressed in thousands of RMB unless otherwise stated)

29. 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	
	2010	2009	**2010**	2009
Deferred income tax assets	**672,475**	374,733	**494,118**	212,522
Deferred income tax liabilities	**(1,966,387)**	(1,839,362)	**—**	—
	(1,293,912)	(1,464,629)	**494,118**	212,522

The gross movement on the deferred income tax accounts is as follows:

	The Company and its subsidiaries		The Company	
	2010	2009	**2010**	2009
Beginning of the year	**(1,464,629)**	(1,054,873)	**212,522**	(70,883)
Acquisitions (Note 39)	**(92,655)**	(279,569)	**—**	—
Credited to profit or loss (Note 31)	**217,687**	295,372	**165,092**	551,291
Credited/(Charged) to other comprehensive income	**120,819**	(392,430)	**116,504**	(267,886)
Currency translation differences	**(75,134)**	(33,129)	**—**	—
End of the year	**(1,293,912)**	(1,464,629)	**494,118**	212,522

(Amounts expressed in thousands of RMB unless otherwise stated)

29. 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	VAT refunds on purchases of domestically manufactured equipment	Deductible tax losses	Others	Total
As at 1 January 2009	102,265	16,416	33,921	39,783	13,242	111,259	336,785	117,235	770,906
Acquisitions	—	—	9,000	29,738	—	—	—	5,401	44,139
Credited/(Charged) to profit or loss	5,405	(294)	166,790	(1,555)	72,670	235,111	(182,437)	52,994	348,684
Charged to other comprehensive income	(106,150)	—	—	—	—	—	—	—	(106,150)
Currency translation differences	(1,520)	—	431	75	—	—	—	168	(846)
As at 31 December 2009	**—**	**16,122**	**210,142**	**68,041**	**85,912**	**346,370**	**154,348**	**175,798**	**1,056,733**
(Charged)/Credited to profit or loss	**—**	**(324)**	**392**	**6,297**	**72,678**	**6,105**	**12,956**	**26,112**	**124,216**
Credited to other comprehensive income	**20,540**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**20,540**
Currency translation differences	**—**	**—**	**460**	**168**	**—**	**—**	**—**	**380**	**1,008**
As at 31 December 2010	**20,540**	**15,798**	**210,994**	**74,506**	**158,590**	**352,475**	**167,304**	**202,290**	**1,202,497**

(Amounts expressed in thousands of RMB unless otherwise stated)

29. 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							
	Hedging reserve	Amortization of land use rights	Provision for impairment losses	Depreciation	Accrued expenses	VAT refunds on purchases of domestically manufactured equipment	Others	Total
As at 1 January 2009	—	16,416	5,813	29,403	10,579	111,259	57,829	231,299
(Charged)/Credited to the profit or loss	—	(294)	128,597	(947)	70,655	233,217	67,315	498,543
As at 31 December 2009	—	16,122	134,410	28,456	81,234	344,476	125,144	729,842
(Charged)/Credited to profit or loss	—	(324)	11,778	(1,055)	62,264	6,112	27,219	105,994
Credited to other comprehensive income	20,540	—	—	—	—	—	—	20,540
As at 31 December 2010	20,540	15,798	146,188	27,401	143,498	350,588	152,363	856,376

Deferred income tax liabilities:

	The Company and its subsidiaries							
	Hedging reserve	Fair value gains	Amortization of goodwill and negative goodwill	Amortization of land use rights	Depreciation	Power generation licence	Others	Total
As at 1 January 2009	—	(87,621)	(110,484)	(135,535)	(775,515)	(681,971)	(34,653)	(1,825,779)
Acquisitions	—	—	—	(273,469)	(50,239)	—	—	(323,708)
Credited/(Charged) to profit or loss	—	—	47,988	8,909	(154,090)	37,536	6,345	(53,312)
Charged to other comprehensive income	(28,291)	(257,989)	—	—	—	—	—	(286,280)
Currency translation differences	—	—	—	(1,307)	(16,760)	(14,216)	—	(32,283)
As at 31 December 2009	(28,291)	(345,610)	(62,496)	(401,402)	(996,604)	(658,651)	(28,308)	(2,521,362)
Acquisitions	—	—	—	(32,593)	(60,062)	—	—	(92,655)
(Charged)/Credited to profit or loss	(5,483)	—	53,238	4,883	39,347	—	1,486	93,471
Credited to other comprehensive income	14,212	86,067	—	—	—	—	—	100,279
Currency translation differences	(1,013)	—	—	(214)	(39,876)	(35,043)	4	(76,142)
As at 31 December 2010	(20,575)	(259,543)	(9,258)	(429,326)	(1,057,195)	(693,694)	(26,818)	(2,496,409)

(Amounts expressed in thousands of RMB unless otherwise stated)

29. 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: *(Cont'd)*

	The Company					
	Hedging reserve	Fair value gains	Amortization of goodwill and negative goodwill	Depreciation	Others	Total
As at 1 January 2009	—	(87,621)	(110,484)	(75,247)	(28,830)	(302,182)
Credited to profit or loss	—	—	47,988	3,204	1,556	52,748
Charged to other comprehensive income	(9,897)	(257,989)	—	—	—	(267,886)
As at 31 December 2009	**(9,897)**	**(345,610)**	**(62,496)**	**(72,043)**	**(27,274)**	**(517,320)**
Credited to profit or loss	**—**	**—**	**53,238**	**4,308**	**1,552**	**59,098**
Credited to other comprehensive income	**9,897**	**86,067**	**—**	**—**	**—**	**95,964**
As at 31 December 2010	**—**	**(259,543)**	**(9,258)**	**(67,735)**	**(25,722)**	**(362,258)**

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 such tax losses which no deferred income tax assets recognized are summarized as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Year of expiry				
2012	**2,432**	2,432	**—**	—
2013	**823,245**	710,974	**—**	—
2014	**513,994**	481,107	**—**	—
2015	**954,813**	N/A	**—**	N/A
	2,294,484	1,194,513	**—**	—

(Amounts expressed in thousands of RMB unless otherwise stated)

30. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEETS

As at 31 December 2010, the net current liabilities of the Company and its subsidiaries amounted to approximately RMB52,081 million (2009: RMB35,392 million). On the same date, total assets less current liabilities were approximately RMB144,301 million (2009: RMB138,306 million).

As at 31 December 2010, the net current liabilities of the Company amounted to approximately RMB27,990 million (2009: RMB24,170 million). On the same date, total assets less current liabilities were approximately RMB95,042 million (2009: RMB87,727 million).

31. INCOME TAX EXPENSE

Income tax expense comprised:

	For the year ended 31 December	
	2010	2009
Current income tax expense	**1,060,362**	889,159
Deferred income tax (Note 29)	**(217,687)**	(295,372)
	842,675	593,787

No Hong Kong profits tax has been provided as there were no estimated assessable profits in Hong Kong for the year (2009: Nil). The reconciliation of the effective income tax rate from the statutory income tax rate is as follows:

	For the year ended 31 December	
	2010	2009
Average statutory tax rate	**22.05%**	20.82%
Effect of tax holiday	**—**	(1.54%)
Tax credit relating to purchases of domestically manufactured equipment*	**(5.07%)**	—
Deductible tax loss not recognized as deferred income tax assets in the current year	**4.55%**	1.76%
Utilization of previously unrecognized tax losses	**—**	(7.18%)
Impact of the tax rate differential on existing deferred income tax balance	**(0.73%)**	(3.52%)
Income not subject to tax	**(4.01%)**	(2.39%)
Expenses not deductible for income tax purposes	**3.51%**	2.43%
Others	**(0.06%)**	0.03%
Effective tax rate	**20.24%**	10.41%

* This represented tax credit granted to certain power plants on their purchases of certain domestically manufactured equipment upon the approvals of respective tax bureaus.

(Amounts expressed in thousands of RMB unless otherwise stated)

31. INCOME TAX EXPENSE *(Cont'd)*

The average statutory tax rate for the years ended 31 December 2010 and 2009 represented the weighted average tax rate of the Company and its subsidiaries calculated on the basis of the relative amounts of profit before income tax expense and the applicable statutory tax rates.

The aggregated effect of the tax holiday was approximately RMB88 million for the year ended 31 December 2009. There was no tax holiday impact for the year ended 31 December 2010.

32. EARNINGS PER SHARE

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

	2010	2009
Consolidated net profit attributable to equity holders of the Company	**3,347,985**	4,929,544
Weighted average number of the Company's outstanding ordinary shares ('000)	**12,107,438**	12,055,383
Basic earnings per share (RMB)	**0.28**	0.41

There was no dilutive effect on earnings per share since the Company had no dilutive potential ordinary shares for the years ended 31 December 2010 and 2009.

(Amounts expressed in thousands of RMB unless otherwise stated)

33. 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	
	2010	2009	**2010**	2009
Restricted cash	**121,471**	225,068	**76,175**	185,287
Cash and cash equivalents	**9,426,437**	5,226,982	**4,943,417**	1,276,282
Total	**9,547,908**	5,452,050	**5,019,592**	1,461,569

The bank balances 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	
	2010	2009	**2010**	2009
RMB	**4,432,568**	3,391,121	**2,852,399**	1,304,998
S$ (RMB equivalent)	**1,887,958**	1,579,518	**—**	—
US$ (RMB equivalent)	**1,208,447**	475,458	**154,815**	156,571
JPY (RMB equivalent)	**6,557**	5,953	**—**	—
HK$ (RMB equivalent)	**2,012,378**	—	**2,012,378**	—
Total	**9,547,908**	5,452,050	**5,019,592**	1,461,569

For the year ended 31 December 2010, the material non-cash transaction included the transfer property, plant and equipment under a finance lease arrangement mentioned in Note 7. There is no material non-cash transaction for the year ended 31 December 2009.

Undrawn borrowing facilities

As at 31 December 2010, the Company and its subsidiaries had undrawn unsecured borrowing facilities amounting to approximately RMB105.48 billion (2009: RMB27.96 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.

34. 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
HEC and its subsidiaries	Subsidiaries of Huaneng Group
Huaneng New Energy	A subsidiary of Huaneng Group
Huaneng Guicheng Trust	A subsidiary of Huaneng Group
Huaneng Hulunbeier Energy Development Company Ltd. ("Hulunbeier Energy")	A subsidiary of Huaneng Group
Hebei Huaneng Industrial Development Limited Liability Company	A subsidiary of Huaneng Group
Gansu Huating Coal and Power Co., Ltd.	A subsidiary of Huaneng Group
Inner Mongolia Power Fuel Co. Ltd.	A subsidiary of Huaneng Group
Huaneng Hainan Power Co., Ltd.	A subsidiary of Huaneng Group
Huaneng Suzhou Thermoelectric Power Company Ltd.	A subsidiary of Huaneng Group
Huaneng Building Construction and Management Co., Ltd.	A subsidiary of Huaneng Group
Huaneng Heilongjiang Power Generation Co., Ltd.	A subsidiary of Huaneng Group
Alltrust Insurance Company of China Limited	A subsidiary of Huaneng Group
Shandong Huaneng Power Generation Co., Ltd.	A subsidiary of Huaneng Group
Huaneng Tibet Power Generation Co., Ltd.	A subsidiary of Huaneng Group
Huaneng Wuhan Power Co., Ltd.	A subsidiary of Huaneng Group
North United Power Coal Transportation and Marketing Co., Ltd.	A subsidiary of Huaneng Group
Huaneng Group Technology Innovation Center	A subsidiary of Huaneng Group
Huaneng Jinan Huangtai Power Generation Co., Ltd.	A subsidiary of Huaneng Group
Huaneng Ruijin Power Generation Co., Ltd.	A subsidiary of HIPDC
Rizhao Power Company	An associate of the Company
Huaneng Finance	An associate of the Company
Lime Company	An associate of a subsidiary
Government-related enterprises*	Related parties of the Company

* Huaneng Group is a state-owned enterprise. In accordance with the revised IAS 24, 'Related Party Disclosures', government-related enterprises, other than entities under Huaneng Group, which the PRC government has control, joint control or significant influence over are also considered as related parties of the Company and its subsidiaries ("other government-related enterprises").

The majority of the business activities of the Company and its subsidiaries are conducted with other government-related 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 government-related enterprises. However, many government-related 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.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

In addition to the related party information shown elsewhere in these 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.

(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	
	2010	2009	**2010**	2009
Deposits in Huaneng Finance				
– Savings deposit	**1,774,738**	2,742,184	**416,736**	893,931

For the year ended 31 December 2010, the annual interest rates for these savings deposits placed with Huaneng Finance ranged from 0.36% to 1.35% (2009: from 0.36% to 1.35%).

(ii) As described in Note 22, certain loans of the Company and its subsidiaries were borrowed from Huaneng Group.

(iii) As described in Notes 22 and 28, certain loans of the Company and its subsidiaries were borrowed from Huaneng Finance.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

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

(iv) As at 31 December 2010 and 2009, the balances with Huaneng Group, HIPDC, subsidiaries, associates, a jointly controlled entity and other related parties are unsecured, non-interest bearing and receivable/repayable within one year. As at and for the years ended 31 December 2010 and 2009, no provision is made on receivable balances from these parties.

Other receivables and assets comprised the following balances due from related parties:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Prepayments to HIPDC	**—**	119,590	**—**	96,883
Prepayments to associates	**92,487**	37,712	**74,360**	37,712
Prepayments to other related parties	**6,802**	22,338	**2,248**	22,338
Other receivables from subsidiaries	**—**	—	**636,869**	784,269
Other receivables from other related parties	**211,904**	—	**—**	—
Total	**311,193**	179,640	**713,477**	941,202

Accounts payable and other liabilities comprised the following balances due to related parties:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Due to Huaneng Group	**1,894**	280,250	**—**	275,065
Due to HIPDC	**33,844**	50,800	**33,335**	50,622
Due to subsidiaries	**—**	—	**1,152,772**	693,065
Due to associates	**13,160**	7,045	**700**	—
Due to a joint controlled entity	**110,012**	—	**65,242**	—
Due to other related parties	**619,498**	676,316	**97,133**	476,046
Total	**778,408**	1,014,411	**1,349,182**	1,494,798

(Amounts expressed in thousands of RMB unless otherwise stated)

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

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

(v) As at 31 December 2010, including in long-term loans (including current portion) and short-term loans are loans payable to other government-related enterprises amounting to RMB115,202 million (2009: RMB99,379 million).

The balances with government-related enterprises also included substantially all the accounts receivable of domestic power plants from government-related power grid companies, most of the bank deposits which placed in government-related financial institutions as well as accounts payables and other payables arising from the purchases of coal and property, plant and equipment construction and related labor employed with the government-related enterprises. These balances are unsecured, non-interest bearing and receivable/repayable within one year.

(b) Related party transactions

	For the year ended 31 December	
	2010	2009
Huaneng Group		
Interest expense on long-term loans	**(34,674)**	(52,969)
Acquisition of 55% equity interest in Yangliuqing Power Company (Note 39)	**—**	(1,076,000)
Acquisition of 30% equity interest in Hainan Nuclear Power	**(174,000)**	—
HIPDC		
Service fees expenses on transmission and transformer facilities	**(140,771)**	(140,771)
Rental charge on land use rights of Huaneng Nanjing Power Plant	**(1,334)**	(1,334)
Rental charge on office building	**(9,267)**	(26,600)
Acquisition of 41% equity interest in Beijing Cogeneration (Note 39)	**—**	(1,175,117)
Huaneng Finance		
Drawdown of short-term loans	**605,000**	100,000
Interest expense on short-term loans	**(17,714)**	(40,880)
Interest expense on long-term loans	**(11,355)**	(7,648)
Huaneng New Energy		
Acquisition of 65% equity interest in Qidong Wind Power (Note 39)	**—**	(103,000)
Interest expense on long-term loans	**(3,922)**	(4,483)
Agency fee on CDM projects	**(700)**	—
HEC and its subsidiaries		
Purchase of coal and service fee occurred for transportation	**(1,995,787)**	(1,099,754)
Purchase of equipment	**(596,234)**	(811,838)
Acquisition of 50% equity interest in Shanghai Time Shipping	**(1,058,000)**	—

(Amounts expressed in thousands of RMB unless otherwise stated)

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

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

	For the year ended 31 December	
	2010	2009
Lime Company		
Purchase of lime	**(104,636)**	(92,392)
Xi'an Thermal and its subsidiaries		
Technical services and industry-specific technological project contracting services obtained	**(207,779)**	(158,658)
Purchase of equipment	**(101,483)**	(64,177)
Hulunbeier Energy		
Purchase of coal	**(839,462)**	(1,195,212)
Rizhao Power Company		
Purchase of coal	**(2,079,342)**	(1,517,257)
Agency fee income from purchase of coal	**—**	8,084
Purchase of materials	**(49,513)**	—
Purchase of electricity	**(4,443)**	—
Sales of coal	**119,757**	—
Other subsidiaries of Huaneng Group		
Agency income of the purchase of coal	**—**	28,680
Huaneng Hainan Power Co., Ltd.		
Sales of coal	**71,526**	—
Huaneng Suzhou Thermoelectric Power Company Ltd.		
Sale of coal	**90,593**	—
Huaneng Wuhan Power Co., Ltd.		
Sales of coal	**34,049**	—
Huaneng Ruijin Power Generation Co., Ltd.		
Sale of coal	**681,372**	—
Huaneng Building Construction and Management Co., Ltd.		
Rental charge on office building	**(65,295)**	—
Hebei Huaneng Industrial Development Limited Liability Company		
Purchase of coal	**(8,185)**	—
Inner Mongolia Power Fuel Co., Ltd.		
Purchase of coal	**(68,666)**	—
North United Power Coal Transportation and Marketing Co., Ltd.		
Purchase of coal	**(21,755)**	—
Gansu Huating Coal and Power Co., Ltd.		
Purchase of coal	**(1,463,619)**	(396,642)
Huaneng Heilongjiang Power Generation Co., Ltd.		
Service fee relating to the purchase of equipment	**(520)**	—

(Amounts expressed in thousands of RMB unless otherwise stated)

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

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

	For the year ended 31 December	
	2010	2009
Huaneng Guicheng Trust		
Drawdown of short-term loans	**3,180,000**	—
Interest expense on short-term loans	**(55,150)**	—
Huaneng Jinan Huangtai Power Generation Co., Ltd.		
Purchase of power generation quota	**(7,685)**	—
Alltrust Insurance Company of China Limited		
Premiums for property insurance	**(138,208)**	—
Huaneng Tibet Power Generation Co., Ltd.		
Purchase of vehicles	**(2,118)**	—
Labor service	**877**	—
Huaneng Group Technology Innovation Center		
Technical services and industry-specific technological project contracting services obtained	**(47,210)**	(42,400)

In addition, during the year, the Company provides management service to certain power plants owned by Huaneng Group and HIPDC. The Company did not receive any management fee. At the same time, Shandong Huaneng Power Generation Co., Ltd. provided management services to certain branches and subsidiaries of the Company which located in Shandong Province. The Company did not pay any management fee for such arrangements.

Transactions with government-related enterprises

For the years ended 31 December 2010 and 2009, the Company and its domestic subsidiaries sold substantially all their products to local government-related power grid companies. Please refer to Note 5 for details of sales information to major power grid companies. The Company and its domestic subsidiaries maintained most of its bank deposits in government-related financial institutions while lenders of most of the Company and its subsidiaries' loans are also government-related financial institutions, associated with the respective interest income or interest expense incurred.

For the years ended 31 December 2010 and 2009, other collectively-significant transactions with government-related enterprises also included a large portion of fuel purchases, property, plant and equipment construction and related labor employed.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(c) Guarantees

		As at 31 December	
		2010	2009
(i)	Long-term loans guaranteed by		
	— Huaneng Group	**964,995**	1,349,547
	— HIPDC	**2,552,052**	3,015,661
	— Government-related enterprises	**310,000**	—
	— Government-related bank	**1,998,734**	—
(ii)	Long-term bonds guaranteed by		
	— HIPDC	**4,000,000**	4,000,000
	— Government-related banks	**6,000,000**	6,000,000

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

	For the year ended 31st December	
	2010	2009
Salaries	**7,579**	7,105
Pension	**1,039**	1,101
Total	**8,618**	8,206

35. 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 14% to 22% (2009: 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 2010 were approximately RMB394 million (2009: RMB343 million), including approximately RMB382 million (2009: RMB329 million) charged to profit or loss.

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 four times the employees' contributions. The employees will receive the total contributions upon their retirement. For the year ended 31 December 2010, the contributions to supplementary defined contribution retirement scheme paid by the Company and its subsidiaries amounted to approximately RMB114 million (2009: RMB143 million), including approximately RMB110 million (2009: RMB137 million) charged to profit or loss.

SinoSing Power and its subsidiaries in Singapore appropriate a specified rate, currently set at 5% to 15% (2009: 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 2010 are approximately RMB11.98 million (2009: RMB10.94 million), which all charged to profit or loss.

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

In addition, the Company and its subsidiaries also make contributions of housing funds and social insurance to the social security institutions at specified rates 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 amounts of which for the year ended 31 December 2010 were approximately RMB276 million (2009: RMB224 million) and RMB301 million (2009: RMB235 million), respectively.

(Amounts expressed in thousands of RMB unless otherwise stated)

36. 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 2010 is set out below:

	Fees	Basic salaries	Performance salaries	Pension	Total
Name of director					
Mr. Cao Peixi	—	—	—	—	—
Mr. Huang Long	—	—	—	—	—
Mr. Wu Dawei	—	—	—	—	—
Mr. Huang Jian	—	—	—	—	—
Mr. Liu Guoyue	—	284	512	99	895
Mr. Fan Xiaxia	—	284	512	99	895
Mr. Shan Qunying	48	—	—	—	48
Mr. Xu Zujian	48	—	—	—	48
Ms. Huang Mingyuan	48	—	—	—	48
Mr. Liu Shuyuan	48	—	—	—	48
Mr. Liu Jipeng	74	—	—	—	74
Mr. Yu Ning	74	—	—	—	74
Mr. Shao Shiwei	74	—	—	—	74
Mr. Zheng Jianchao	74	—	—	—	74
Mr. Wu Liansheng	74	—	—	—	74
Sub-total	562	568	1,024	198	2,352
Name of supervisor					
Mr. Guo Junming	—	—	—	—	—
Ms. Yu Ying	48	—	—	—	48
Ms. Wu Lihua	—	—	—	—	—
Mr. Gu Jianguo	48	—	—	—	48
Mr. Wang Zhaobin	—	126	393	80	599
Mr. Dai Xinmin	—	124	393	80	597
Sub-total	96	250	786	160	1,292
Total	658	818	1,810	358	3,644

(Amounts expressed in thousands of RMB unless otherwise stated)

36. 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 2009 is set out below:

	Fees	Basic salaries	Performance salaries	Pension	Total
Name of director					
Mr. Cao Peixi	—	—	—	—	—
Mr. Huang Long	—	—	—	—	—
Mr. Wu Dawei*	—	—	131	—	131
Mr. Huang Jian	—	—	—	—	—
Mr. Liu Guoyue	—	161	539	104	804
Mr. Fan Xiaxia	—	161	539	104	804
Mr. Shan Qunying	48	—	—	—	48
Mr. Xu Zujian	48	—	—	—	48
Ms. Huang Mingyuan	48	—	—	—	48
Mr. Liu Shuyuan	48	—	—	—	48
Mr. Liu Jipeng	74	—	—	—	74
Mr. Yu Ning	74	—	—	—	74
Mr. Shao Shiwei	74	—	—	—	74
Mr. Zheng Jianchao	74	—	—	—	74
Mr. Wu Liansheng	74	—	—	—	74
Sub-total	562	322	1,209	208	2,301
Name of supervisor					
Mr. Guo Junming	—	—	—	—	—
Ms. Yu Ying	48	—	—	—	48
Ms. Wu Lihua	—	—	—	—	—
Mr. Gu Jianguo	48	—	—	—	48
Mr. Wang Zhaobin	—	134	351	85	570
Mr. Dai Xinmin	—	133	351	84	568
Sub-total	96	267	702	169	1,234
Total	658	589	1,911	377	3,535

* In 2009, the emoluments received by Mr. Wu Dawei related to his annual bonus when he acted as general manager of Shanghai Branch of the Company between January and August 2008.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

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

During the year, no option was granted to the directors or the supervisors (2009: 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 (2009: Nil).

No director or supervisor had waived or agreed to waive any emoluments during the years 2010 and 2009.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Company and its subsidiaries for the year include two (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: three) individuals during the year (fell within the range of Nil to RMB1 million) are as follows:

	For the year ended 31 December	
	2010	2009
Basic salaries	**880**	441
Performance salaries	**1,089**	1,393
Pension	**267**	283
	2,236	2,117

(Amounts expressed in thousands of RMB unless otherwise stated)

37. COMMITMENTS

(a) Capital and operational commitments

(i) Commitments mainly relate to the construction of new power projects, certain ancillary facilities and renovation projects for existing power plants and the purchases of coal. Details of such commitments are as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Contracted but not provided for				
– purchase of inventories	**13,107,284**	7,242,155	**3,123,529**	5,587,240
– construction	**23,893,570**	19,438,254	**3,263,249**	7,148,979
Sub-total	**37,000,854**	26,680,409	**6,386,778**	12,736,219
Authorized but not contracted for				
– purchase of inventories	**—**	61,260	**—**	61,260
– construction	**124,784**	1,704,416	**10,752**	883,197
Sub-total	**124,784**	1,765,676	**10,752**	944,457
Total	**37,125,638**	28,446,085	**6,397,530**	13,680,676

(ii) On 31 December 2009, the Company entered into an agreement with Shandong Power and Shandong Luneng Development Group Company Limited ("Luneng Development"), both are government-related enterprises. Pursuant to the agreement the Company agreed to acquire from Shandong Power and Luneng Development the Target Equity Interests, which includes 100% equity interest of Yunnan Diandong Energy Limited Company ("Yunnan Diandong Energy"), 100% equity interest of Yunnan Diandong Yuwang Energy Limited Company ("Diandong Yuwang Energy"), 60.25% equity interest of Fujian Luoyuanwan Luneng Harbour Limited Liability Company ("Luoyuanwan Harbour"), 58.30% equity interest of Fuzhou Port Luoyuanwan Pier Limited Liability Company ("Luoyuanwan Pier"), 73.46% equity interest of Luoyuan Luneng Ludao Pier Limited Liability Company ("Ludao Pier"), all of which are owned by Shandong Power, and 39.75% equity interest of Fujian Luoyuanwan Harbour owned by Luneng Development. The acquisition were yet to be effective as at 31 December 2010.

The aggregate considerations amounted to RMB7,465.13 million. As at 31 December 2010, considerations amounting to RMB3,657.92 million are yet to be paid.

(Amounts expressed in thousands of RMB unless otherwise stated)

37. COMMITMENTS

(a) Capital and operational commitments *(Cont'd)*

(iii) The Company and its subsidiaries have entered into various long-term fuel supply agreements with various suppliers in securing fuel supply for various periods up to 2028. All the agreements require minimum volume purchases and subject to certain termination provisions. Related purchase commitments are as follows:

		The Company and its subsidiaries			
		2010		2009	
	Periods	**Purchase quantities**	**Estimated unit costs *(RMB)***	Purchase quantities	Estimated unit costs *(RMB)*
A government-related enterprise	2010 – 2023	**486.9 million M^3/year**	**1.63/M^3**	486.9 million M^3/year	1.43/M^3
Other suppliers	2010 – 2013	**175.1 Billion British Thermal Unit ("BBtu")/day**	**100,000/BBtu**	175.1 BBtu/day	100,000/BBtu
	2014	**82.5 BBtu/day**	**100,000/BBtu ***	17.6 BBtu/day	100,000/BBtu
	2015 – 2023	**64.9 BBtu/day**	*****	—	—
	2024 – 2028	**42.4 BBtu/day**	*****	—	—

* As the Company and its subsidiaries are not required to commit purchases of one of the contracts until 2014, no unit cost information available for daily purchase quantities of 64.9BBtu and 64.9BBtu and 42.4BBtu during respective period categories of 2014; 2015 – 2023; and 2024 – 2028.

For the year ended 31 December 2010, annual purchases from the government-related enterprise and other suppliers above amounted to RMB738 million (2009: RMB629 million) and RMB5,692 million (2009: RMB4,691 million), respectively.

As at 31 December 2009 and 2010, there is no long-term commitment at Company level.

(b) Operating lease commitments

The Company has various operating lease arrangements for land and buildings. 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.

(Amounts expressed in thousands of RMB unless otherwise stated)

37. COMMITMENTS *(Cont'd)*

(b) Operating lease commitments *(Cont'd)*

Total future minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December	
	2010	2009
Land and buildings		
– not later than 1 year	**14,566**	44,099
– later than 1 year and not later than 2 years	**15,013**	3,253
– later than 2 years and not later than 5 years	**56,548**	9,760
– later than 5 years	**790,899**	101,378
	877,026	158,490

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 2010 and 2009, the annual rentals were approximately RMB34 million and RMB30 million, respectively.

38. FINANCIAL GUARANTEES

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2010	2009	**2010**	2009
Financial guarantees				
– granted to a subsidiary	**—**	—	**15,652,617**	14,941,760

Based on historical experience, no claims have been made against the Company since the dates of granting the financial guarantees described above.

(Amounts expressed in thousands of RMB unless otherwise stated)

39. MATERIAL BUSINESS COMBINATIONS

2010 business combinations

In December 2010, the Company acquired 100% equity interest of Huaneng Zhanhua Cogeneration, 100% equity interest of Jilin Biological Power, 100% equity interest of Qingdao Port and 53% equity interest of Luneng Sea Transportation from Shandong Power, a government-related enterprise, at a consideration of RMB1,159.874 million.

The acquisition reflects the Company's implementation of its development strategy which focuses on both green-field development and acquisition. Upon completion of the acquisition, the operation scale and geographical coverage of the Company were expanded, and the acquisition achieved the combined synergy effect from the facilities of power and harbour.

Fair value of total consideration transferred is as follows:

Purchase consideration:	
— Cash consideration	1,159,874
Acquisition-related costs (included in the profit or loss for the year ended 31 December 2010)	888

The fair values of assets and liabilities arising from the acquisitions of Zhanhua Cogeneration, Luneng Sea Transportation, Qingdao Port and Jilin Biological Power and proportionate share of acquiree's net assets by non-controlling interests on respective acquisition dates are as follows:

	Zhanhua Cogeneration	Luneng Sea Transportation	Qingdao Port	Jilin Biological Power	Total
Cash and cash equivalents	8,439	25,778	31,754	24,553	90,524
Property, plant and equipment	1,152,894	283,322	584,021	293,287	2,313,524
Land use rights	203,249	3,735	35,455	31,152	273,591
Other non-current assets	—	—	214	136	350
Inventories	28,110	3,969	—	7	32,086
Receivables	97,085	8,846	3,526	5,705	115,162
Payables	(354,737)	(66,596)	(179,132)	(46,115)	(646,580)
Salary and welfare payables	(2,022)	(4,242)	(556)	(1)	(6,821)
Borrowings	(950,000)	(20,000)	(110,000)	(200,000)	(1,280,000)
Deferred income tax liabilities	(66,624)	(6,542)	(16,320)	(3,169)	(92,655)
Total identifiable net assets	116,394	228,270	348,962	105,555	799,181
Non-controlling interests	—	(107,287)	—	—	(107,287)
Goodwill (Note 14)	291,734	34,913	107,002	34,331	467,980
Consideration	408,128	155,896	455,964	139,886	1,159,874

Goodwill arising from the acquisitions is attributable to the economies of scale and significant synergies expected to arise after the acquisitions of the Company on the equity interests in the subsidiaries satated above. None of the goodwill recognised is expected to be deductible for income tax purposes.

(Amounts expressed in thousands of RMB unless otherwise stated)

39. MATERIAL BUSINESS COMBINATIONS *(Cont'd)*

2010 business combinations *(Cont'd)*

The fair value of receivables amounting to RMB115 million includes accounts receivables and other receivables which equal to their respective gross contractual amounts.

The revenue included in the consolidated statement of comprehensive income since acquisition dates contributed by above acquisitions was RMB77.92 million. The acquisitions above also contributed loss of RMB18.45 million over the same periods.

Should the acquisitions above had occurred on 1 January 2010, the consolidated statement of comprehensive income would show unaudited revenue of RMB105,009.91 million and unaudited profit of RMB3,219.29 million.

2009 business combinations

In September 2009, the Company acquired 65% equity interest of Qidong Wind Power from Huaneng New Energy at a consideration of RMB103 million. The acquired business contributed consolidated revenue of RMB18 million and consolidated profit of RMB1 million to the Company and its subsidiaries for the period from date of acquisition to 31 December 2009.

In September 2009, the Company acquired 41% equity interest of Beijing Cogeneration and 55% equity interest of Yangliuqing Power Company from HIPDC and Huaneng Group at a consideration of RMB1,175 million and RMB1,076 million, respectively. The acquired business contributed consolidated revenue of RMB1,308 million and consolidated profit of RMB147 million to the Company and its subsidiaries for the period from the date of acquisition to 31 December 2009.

Should the above acquisitions had occurred on 1 January 2009, unaudited consolidated revenue and unaudited consolidated profit of the Company and its subsidiaries for the year would have been RMB79,747 million and RMB5,005 million, respectively.

Details of consideration and goodwill arising from the acquisitions of Qidong Wind Power, Beijing Cogeneration and Yangliuqing Power Company by the Company are as follows:

Purchase consideration:	
— Cash paid	2,354,117
— Direct costs relating to the acquisitions	1,645
	2,355,762

(Amounts expressed in thousands of RMB unless otherwise stated)

39. MATERIAL BUSINESS COMBINATIONS *(Cont'd)*

2009 business combinations *(Cont'd)*

The assets and liabilities arising from the acquisitions of Qidong Wind Power, Beijing Cogeneration and Yangliuqing Power Company are as follows:

	Qidong Wind Power		Beijing Cogeneration		Yangliuqing Power Company		Total	
	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value	Acquirees' carrying amount
Cash and cash equivalents	31,643	31,643	332,587	332,587	55,655	55,655	419,885	419,885
Property, plant and equipment	936,565	899,361	2,962,292	2,828,123	3,643,370	3,589,113	7,542,227	7,316,597
Land use rights	3,990	3,990	850,181	42,398	291,629	—	1,145,800	46,388
Deferred income tax assets	—	3,745	—	28,925	—	11,469	—	44,139
Other non-current assets	—	—	7,092	7,092	2,477	2,477	9,569	9,569
Inventories	—	—	109,333	109,333	144,327	144,327	253,660	253,660
Receivables	7,492	7,492	227,386	227,386	228,221	228,221	463,099	463,099
Payables	(201,099)	(201,099)	(333,743)	(333,743)	(81,825)	(81,825)	(616,667)	(616,667)
Salary and welfare payables	(140)	(140)	(59,309)	(59,309)	(1,430)	(1,430)	(60,879)	(60,879)
Borrowings	(600,000)	(600,000)	(1,280,756)	(1,280,756)	(2,525,074)	(2,525,074)	(4,405,830)	(4,405,830)
Deferred income tax liabilities	(5,556)	—	(199,011)	—	(75,002)	—	(279,569)	—
Net identifiable assets acquired	172,895	144,992	2,616,052	1,902,036	1,682,348	1,422,933	4,471,295	3,469,961
Non-controlling interests	(78,713)		(1,543,471)		(757,057)		(2,379,241)	
Goodwill	8,963		103,286		151,459		263,708	
Total purchase price	103,145		1,175,867		1,076,750		2,355,762	
Consideration paid in cash	103,000		1,175,117		1,076,000		2,354,117	
Direct cost relating to acquisitions	145		750		750		1,645	
Less: cash and cash equivalents from the subsidiaries acquired	(31,643)		(332,587)		(55,655)		(419,885)	
Net cash paid for acquiring the subsidiaries	71,502		843,280		1,021,095		1,935,877	

Goodwill arising from the acquisitions is attributable to the high profitability of the acquired businesses and the significant synergies expected to arise after the acquisitions of the Company on the equity interests in the subsidiaries stated above.

40. SUBSEQUENT EVENTS

(i) In January 2011, the Company has completed the acquisitions of 100% equity interest of Yunnan Diandong Energy, 100% equity interest of Diandong Yuwang Energy, 73.46% equity interest of Ludao Pier, 60.25% equity interest of Fujian Luoyuanwan Harbour and 58.30% equity interest of Luoyuanwan Pier from Shandong Power, and 39.75% equity interest of Fujian Luoyuanwan Harbour from Luneng Development upon obtaining the control over these entities.

The aggregate cash considerations of the above acquisitions amounted to RMB7,465.13 million.

In addition, the Company also acquired the remaining 26.54% equity interest of Ludao Pier from the non-controlling shareholders at a consideration of RMB65 million in January 2011.

Upon completion of the acquisitions above, the Company further strengthened its coastal port operations, and expanded the geographical coverage to Yunnan Province.

Given the acquired entities engaged in different sectors, including port, coal mines and power generation, as at the date of this report, management is in the process of reviewing financial information of acquirees and performing assessments of purchase price allocation of identifiable assets and liabilities acquired as at respective effective acquisition dates, no additional disclosures required under IFRS 3 are made.

(ii) The Company issued unsecured short-term bonds amounting to RMB5 billion bearing annual interest rate of 3.95% in January 2011. Such bonds are denominated in RMB and issued at face value and will mature in 365 days from the issuance date.

Report of the Auditor

PRICEWATERHOUSECOOPERS
普 华 永 道

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Zhong Tian CPAs Limited Company
11th Floor PricewaterhouseCoopers Center,
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Report of the Auditor

PwC ZT Shen Zi (2011) No. 10060
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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"), which comprise the consolidated and Company balance sheets of Huaneng Power as at 31 December 2010 and the consolidated and Company income statements, the consolidated and Company cash flow statements and the consolidated and Company statements 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 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

PwC ZT Shen Zi (2011) No. 10060
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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 consolidated and Company's financial position of Huaneng Power as at 31 December 2010, and of the consolidated and Company's financial performance and the consolidated and Company's 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
Bi Weiduo

Shanghai · China
29 March 2011

Balance Sheets

AS AT 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

ASSETS	Note	31 December 2010 Consolidated	31 December 2009 Consolidated	31 December 2010 The Company	31 December 2009 The Company
CURRENT ASSETS					
Cash	5(1)	**9,547,908,196**	5,452,049,814	**5,019,591,960**	1,461,569,493
Derivative financial assets	5(2)	**132,632,360**	141,885,707	**—**	—
Notes receivable	5(3)	**636,542,203**	351,630,301	**139,100,000**	41,816,000
Accounts receivable	5(4), 15(1)	**10,272,593,414**	9,691,272,481	**5,186,802,524**	5,231,868,409
Advances to suppliers	5(6)	**1,228,515,418**	1,024,217,112	**733,871,421**	898,157,690
Interest receivable		**730,355**	707,768	**15,717,765**	14,393,786
Dividends receivable		**—**	—	**78,749,891**	58,600,861
Other receivables	5(5), 15(2)	**1,602,901,561**	1,183,405,939	**1,224,281,138**	1,087,555,177
Inventories	5(7)	**5,190,435,156**	4,083,985,593	**2,370,069,662**	1,699,440,182
Current portion of non-current assets		**101,332,688**	19,547,650	**—**	—
Other current assets		**80,988,696**	46,123,151	**11,443,740,480**	7,931,343,151
Total current assets		**28,794,580,047**	21,994,825,516	**26,211,924,841**	18,424,744,749
NON-CURRENT ASSETS					
Available-for-sale financial assets	5(8)	**1,949,727,308**	2,293,998,840	**1,949,727,308**	2,293,998,840
Derivative financial assets	5(2)	**91,478,179**	44,863,269	**—**	39,585,882
Long-term receivables	5(9)	**709,559,946**	—	**—**	—
Long-term equity investments	5(10), 15(3)	**11,982,633,334**	9,550,498,199	**37,980,576,504**	29,990,652,656
Fixed assets	5(11)	**123,653,446,684**	108,768,695,177	**59,984,014,231**	58,120,774,578
Fixed assets pending for disposal		**86,995,876**	—	**134,382**	—
Construction-in-progress	5(12)	**26,243,063,527**	23,636,990,139	**7,400,043,092**	5,974,997,478
Construction materials	5(13)	**6,014,979,607**	8,764,873,990	**877,057,893**	3,405,535,273
Intangible assets	5(14)	**7,507,217,342**	7,085,887,464	**1,734,780,533**	1,737,823,371
Goodwill	5(15)	**11,955,539,690**	10,912,159,288	**1,528,308**	1,528,308
Long-term deferred expenses		**154,269,928**	164,133,436	**17,409,507**	12,792,579
Deferred income tax assets	5(16)	**867,182,843**	547,664,305	**551,491,094**	272,566,233
Other non-current assets	9(1)	**3,942,073,515**	232,537,231	**13,194,773,515**	10,395,000,000
Total non-current assets		**195,158,167,779**	172,002,301,338	**123,691,536,367**	112,245,255,198
TOTAL ASSETS		**223,952,747,826**	193,997,126,854	**149,903,461,208**	130,669,999,947

Balance Sheets

AS AT 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2010 Consolidated	31 December 2009 Consolidated	31 December 2010 The Company	31 December 2009 The Company
CURRENT LIABILITIES					
Short-term loans	5(18)	44,047,183,998	24,729,816,119	32,993,183,998	17,638,361,762
Derivative financial liabilities	5(2)	86,611,751	13,403,141	—	—
Notes payable	5(19)	75,351,966	71,475,000	—	71,475,000
Accounts payable	5(20)	5,339,792,472	4,314,985,860	2,474,977,708	2,091,342,954
Advance from customers		137,725,313	102,728,785	80,818,682	45,452,777
Salary and welfare payables	5(21)	271,061,620	290,527,379	107,683,839	130,388,810
Taxes payable	5(22)	(2,017,347,239)	(1,544,137,768)	(511,030,143)	(613,098,027)
Interest payable		577,022,852	490,239,080	393,938,533	342,698,089
Dividends payable	5(23)	79,680,686	20,733,907	—	—
Other payables	5(24)	12,237,135,183	8,374,609,135	3,756,247,664	4,605,533,250
Current portion of non-current liabilities	5(25)	13,782,550,038	9,250,248,143	8,766,245,204	7,073,302,033
Other current liabilities	5(26)	5,439,065,424	10,442,145,076	5,319,960,363	10,379,065,434
Total current liabilities		80,055,834,064	56,556,773,857	53,382,025,848	41,764,522,082
NON-CURRENT LIABILITIES					
Long-term loans	5(27)	65,184,902,502	71,266,754,880	29,739,135,701	32,518,894,102
Derivative financial liabilities	5(2)	95,862,772	849,636	82,158,243	—
Bonds payable	5(28)	13,831,150,101	13,800,114,589	13,831,150,101	13,800,114,589
Long-term payables		83,223,484	23,858,743	—	—
Specific accounts payable		2,702,264	—	2,702,264	—
Deferred income tax liabilities	5(16)	1,605,716,163	1,386,493,492	—	—
Other non-current liabilities	5(29)	2,234,140,427	2,245,400,134	2,106,288,138	2,117,300,914
Total non-current liabilities		83,037,697,713	88,723,471,474	45,761,434,447	48,436,309,605
TOTAL LIABILITIES		163,093,531,777	145,280,245,331	99,143,460,295	90,200,831,687
SHAREHOLDERS' EQUITY					
Share capital	5(30)	14,055,383,440	12,055,383,440	14,055,383,440	12,055,383,440
Capital surplus	5(31)	17,746,199,069	9,349,129,414	15,803,068,930	7,376,680,693
Special reserves		12,797,793	—	12,797,793	—
Surplus reserves	5(32)	7,004,875,161	6,142,345,063	7,004,875,161	6,142,345,063
Undistributed profits	5(33)	13,978,608,875	13,830,728,702	13,883,875,589	14,894,759,064
Currency translation differences		93,404,864	(362,067,301)	—	—
Shareholder's equity attributable to shareholders of the Company		52,891,269,202	41,015,519,318	50,760,000,913	40,469,168,260
Minority interests	5(34)	7,967,946,847	7,701,362,205	—	—
TOTAL SHAREHOLDERS' EQUITY		60,859,216,049	48,716,881,523	50,760,000,913	40,469,168,260
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		223,952,747,826	193,997,126,854	149,903,461,208	130,669,999,947

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 2010

(Prepared in accordance with PRC Accounting Standards)

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

		For the year ended 31 December			
	Note	**2010 Consolidated**	2009 Consolidated	**2010 The Company**	2009 The Company
1. Operating revenue	*5(35), 15(4)*	**104,307,701,910**	79,742,330,872	**52,878,515,494**	43,566,932,068
Less: Operating cost	*5(35), 15(4)*	**(92,818,451,828)**	(66,961,169,769)	**(46,962,094,588)**	(35,898,943,327)
Tax and levies on operations	*5(36)*	**(147,641,203)**	(165,586,134)	**(50,731,857)**	(42,166,236)
Selling expenses		**(4,007,471)**	(3,423,738)	**—**	—
General and administrative expenses	*5(37)*	**(2,724,475,373)**	(2,360,326,271)	**(1,790,865,752)**	(1,564,502,567)
Financial expenses, net	*5(38)*	**(5,105,559,276)**	(4,435,425,518)	**(2,668,290,156)**	(2,605,478,879)
Assets impairment loss	*5(40)*	**(29,271,676)**	(658,796,122)	**50,542**	(581,837,575)
Gain/(Loss) from changes in fair value		**11,850,976**	(33,637,701)	**—**	—
Add: Investment income	*5(39), 15(5)*	**632,062,946**	809,462,915	**1,010,241,118**	915,196,728
Including: investment income from associates		**572,049,715**	752,787,801	**570,036,402**	751,164,179
2. Operating profit		**4,122,209,005**	5,933,428,534	**2,416,824,801**	3,789,200,212
Add: Non-operating income	*5(41)*	**564,992,494**	278,927,428	**236,363,378**	200,558,806
Less: Non-operating expenses	*5(42)*	**(93,777,590)**	(162,520,474)	**(75,267,919)**	(130,255,601)
Including: loss on disposal of non-current assets		**(50,498,367)**	(105,578,459)	**(47,715,543)**	(92,998,786)
3. Profit before taxation		**4,593,423,909**	6,049,835,488	**2,577,920,260**	3,859,503,417
Less: Income tax expense	*5(43)*	**(913,095,748)**	(656,691,499)	**(198,223,963)**	(40,361,381)
4. Net profit		**3,680,328,161**	5,393,143,989	**2,379,696,297**	3,819,142,036
Including: net loss generated by acquiree before business combination under common control		**—**	(11,928,403)	**—**	—
Attributable to:					
Shareholders of the Company		**3,544,304,422**	5,080,996,564	**2,379,696,297**	3,819,142,036
Minority interests		**136,023,739**	312,147,425	**—**	—
5. Earnings per share (based on the net profit attributable to shareholders of the Company)					
Basic earnings per share	*5(44)*	**0.29**	0.42	**N/A**	N/A
Diluted earnings per share		**0.29**	0.42	**N/A**	N/A
6. Other comprehensive income/(loss)	*5(45), 15(6)*	**51,261,727**	1,572,144,362	**(385,339,472)**	823,341,825
7. Total comprehensive income		**3,731,589,888**	6,965,288,351	**1,994,356,825**	4,642,483,861
Attributable to					
– Shareholders of the Company		**3,593,368,034**	6,651,824,129	**1,994,356,825**	4,642,483,861
– Minority interests		**138,221,854**	313,464,222	**—**	—

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 2010

(Prepared in accordance with PRC Accounting Standards)

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

		For the year ended 31 December			
Items	*Note*	**2010 Consolidated**	2009 Consolidated	**2010 The Company**	2009 The Company
1. Cash flows generated from operating activities					
Cash received from sales of goods and services rendered		**117,893,857,118**	87,470,935,502	**61,787,741,597**	49,328,929,350
Cash received from return of taxes and fees		**29,782,911**	33,749,418	**—**	—
Other cash received relating to operating activities	5(46)	**691,974,821**	234,634,122	**325,436,140**	77,966,433
Sub-total of cash inflows of operating activities		**118,615,614,850**	87,739,319,042	**62,113,177,737**	49,406,895,783
Cash paid for goods and services received		**(90,289,496,886)**	(60,857,619,415)	**(47,010,149,906)**	(32,970,943,942)
Cash paid to and on behalf of employees including salary, social welfare, education funds and others in such manner		**(4,196,858,027)**	(3,770,793,834)	**(2,545,445,056)**	(2,400,738,344)
Payments of all types of taxes		**(5,137,943,604)**	(6,184,661,871)	**(2,934,324,528)**	(3,717,140,439)
Other cash paid relating to operating activities	5(46)	**(924,591,549)**	(936,808,846)	**(493,789,276)**	(434,092,417)
Sub-total of cash outflows of operating activities		**(100,548,890,066)**	(71,749,883,966)	**(52,983,708,766)**	(39,522,915,142)
Net cash flows generated from operating activities	5(47), 15(7)	**18,066,724,784**	15,989,435,076	**9,129,468,971**	9,883,980,641
2. Cash flows generated from investing activities					
Cash received from disposals of investments or collection of loans		**—**	—	**—**	13,100,000
Cash received on investment income		**315,205,230**	540,181,389	**1,536,036,378**	1,076,634,794
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		**105,816,046**	39,272,291	**35,764,073**	43,595,859
Other cash received relating to investing activities	5(46)	**38,145,817**	4,398,097	**—**	—
Sub-total of cash inflows of investing activities		**459,167,093**	583,851,777	**1,571,800,451**	1,133,330,653
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**(20,731,717,336)**	(22,930,085,699)	**(7,080,125,322)**	(8,408,978,867)
Cash paid for investments		**(880,985,089)**	(910,830,000)	**(13,444,893,096)**	(21,085,903,533)
Net cash paid to acquire subsidiaries and other operating units		**(5,827,002,912)**	(2,354,117,000)	**—**	—
Sub-total of cash outflows of investing activities		**(27,439,705,337)**	(26,195,032,699)	**(20,525,018,418)**	(29,494,882,400)
Net cash flows used in investing activities		**(26,980,538,244)**	(25,611,180,922)	**(18,953,217,967)**	(28,361,551,747)

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

		For the year ended 31 December			
Items	*Note*	**2010 Consolidated**	2009 Consolidated	**2010 The Company**	2009 The Company
3. Cash flows generated from financing activities					
Cash received from investments		**10,563,689,768**	260,533,100	**10,280,169,168**	—
Including: cash received from minority shareholders of subsidiaries		**283,520,600**	260,533,100	**—**	—
Cash received from borrowings		**72,405,806,430**	74,841,074,644	**57,648,426,200**	45,150,000,000
Cash received from issuing long-term bonds and short-term bonds		**9,959,850,000**	13,899,850,000	**9,959,850,000**	13,899,850,000
Other cash received relating to financing activities	*5(46)*	**291,869,671**	432,420,751	**282,819,670**	403,821,386
Sub-total of cash inflows of financing activities		**93,221,215,869**	89,433,878,495	**78,171,265,038**	59,453,671,386
Repayments of borrowings		**(71,293,460,782)**	(73,388,173,943)	**(58,182,743,791)**	(36,766,643,237)
Repayment for dividends, profit appropriation or interest expense payments		**(8,774,395,586)**	(7,245,357,782)	**(6,416,758,893)**	(4,437,338,279)
Including: dividends paid to minority shareholders of subsidiaries		**(249,043,480)**	(348,137,690)	**—**	—
Other cash paid relating to financing activities	*5(46)*	**(90,035,783)**	(36,612,707)	**(65,700,840)**	(29,103,643)
Sub-total of cash outflows of financing activities		**(80,157,892,151)**	(80,670,144,432)	**(64,665,203,524)**	(41,233,085,159)
Net cash flows generated from financing activities		**13,063,323,718**	8,763,734,063	**13,506,061,514**	18,220,586,227
4. Effect of foreign exchange rate changes on cash		**49,945,605**	55,741,958	**(15,178,007)**	7,675,562
5. Net increase/(decrease) in cash	*5(47), 15(7)*	**4,199,455,863**	(802,269,825)	**3,667,134,511**	(249,309,317)
Add: Cash at beginning of the year		**5,226,981,648**	6,029,251,473	**1,276,282,336**	1,525,591,653
6. Cash at end of the year		**9,426,437,511**	5,226,981,648	**4,943,416,847**	1,276,282,336

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 2010

(Prepared in accordance with PRC Accounting Standards)

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

		Attributable to shareholders of the Company						Minority interests	Total shareholders' equity
Items	*Note*	**Share capital**	**Capital surplus**	**Special reserves**	**Surplus reserves**	**Undistributed profits**	**Currency translation differences**		
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
Business combination under common control		—	1,635,360,574	—	—	145,792,508	—	1,979,503,777	3,760,656,859
Balance as at 1 January 2009 (Restated)		12,055,383,440	10,304,784,129	—	6,142,345,063	10,059,648,288	(534,432,581)	7,305,726,960	45,333,455,299
Changes for the year ended 31 December 2009									
Net profit		—	—	—	—	5,080,996,564	—	312,147,425	5,393,143,989
Other comprehensive income	*5(45)*	—	1,398,462,285	—	—	—	172,365,280	1,316,797	1,572,144,362
Capital injection by shareholders		—	—	—	—	—	—	260,533,100	260,533,100
Acquisition of subsidiaries		—	—	—	—	—	—	42,328,542	42,328,542
Business combination under common control		—	(2,354,117,000)	—	—	—	—	—	(2,354,117,000)
Profit appropriation									
Dividends payable to shareholders	*5(33)*	—	—	—	—	(1,205,633,044)	—	(70,624,690)	(1,276,257,734)
Dividends payable before common control become effective		—	—	—	—	(96,883,000)	—	(139,417,000)	(236,300,000)
Others		—	—	—	—	(7,400,106)	—	(10,648,929)	(18,049,035)
Balance as at 31 December 2009		12,055,383,440	9,349,129,414	—	6,142,345,063	13,830,728,702	(362,067,301)	7,701,362,205	48,716,881,523

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

Items	Note	Attributable to shareholders of the Company: Share capital	Capital surplus	Special reserves	Surplus reserves	Undistributed profits	Currency translation differences	Minority interests	Total shareholders' equity
Balance as at 1 January 2010		12,055,383,440	9,349,129,414	–	6,142,345,063	13,830,728,702	(362,067,301)	7,701,362,205	48,716,881,523
Changes for the year ended 31 December 2010									
Net profit		–	–	–	–	3,544,304,422	–	136,023,739	3,680,328,161
Other comprehensive income	5(45)	–	(406,408,553)	–	–	–	455,472,165	2,198,115	51,261,727
Capital injection by shareholders		2,000,000,000	8,795,280,497	–	–	–	–	278,580,100	11,073,860,597
Acquisition of subsidiaries		–	–	–	–	–	–	107,286,514	107,286,514
Profit appropriation									
Transfer to surplus reserves	5(32)	–	–	–	862,530,098	(862,530,098)	–	–	–
Dividends payable to shareholders	5(33)	–	–	–	–	(2,528,049,674)	–	(249,043,480)	(2,777,093,154)
Others		–	–	–	–	(5,844,477)	–	(8,410,346)	(14,254,823)
Special reserves		–	–	12,797,793	–	–	–	–	12,797,793
Others		–	8,197,711	–	–	–	–	(50,000)	8,147,711
Balance as at 31 December 2010		14,055,383,440	17,746,199,069	12,797,793	7,004,875,161	13,978,608,875	93,404,864	7,967,946,847	60,859,216,049

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 2010

(Prepared in accordance with PRC Accounting Standards)

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

Items	*Note*	Share capital	Capital surplus	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance as at 1 January 2009		12,055,383,440	7,244,448,142	—	6,142,345,063	12,281,250,072	37,723,426,717
Changes for the year ended 31 December 2009							
Net profit		—	—	—	—	3,819,142,036	3,819,142,036
Other comprehensive income	*15(6)*	—	823,341,825	—	—	—	823,341,825
Business combination under common control		—	(691,109,274)	—	—	—	(691,109,274)
Profit appropriation							
Transfer to surplus reserves		—	—	—	—	—	—
Dividends payables to shareholders		—	—	—	—	(1,205,633,044)	(1,205,633,044)
Balance as at 31 December 2009		12,055,383,440	7,376,680,693	—	6,142,345,063	14,894,759,064	40,469,168,260

Items	*Note*	Share capital	Capital surplus	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance as at 1 January 2010		**12,055,383,440**	**7,376,680,693**	**—**	**6,142,345,063**	**14,894,759,064**	**40,469,168,260**
Changes for the year ended 31 December 2010							
Net profit		**—**	**—**	**—**	**—**	**2,379,696,297**	**2,379,696,297**
Other comprehensive income	*15(6)*	**—**	**(385,339,472)**	**—**	**—**	**—**	**(385,339,472)**
Capital injection by shareholders		**2,000,000,000**	**8,803,529,998**	**—**	**—**	**—**	**10,803,529,998**
Profit appropriation							
Transfer to surplus reserves	*5(32)*	**—**	**—**	**—**	**862,530,098**	**(862,530,098)**	**—**
Dividends payables to shareholders	*5(33)*	**—**	**—**	**—**	**—**	**(2,528,049,674)**	**(2,528,049,674)**
Special reserves		**—**	**—**	**12,797,793**	**—**	**—**	**12,797,793**
Others		**—**	**8,197,711**	**—**	**—**	**—**	**8,197,711**
Balance as at 31 December 2010		**14,055,383,440**	**15,803,068,930**	**12,797,793**	**7,004,875,161**	**13,883,875,589**	**50,760,000,913**

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**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

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 the respective regional or provincial grid companies.

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 7(1) for details.

These financial statements were approved by the board of directors of the Company on 29 March 2011.

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) 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 issued thereafter (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises"), and "Information Disclosure Rule 15 of Public Offerings Company – Financial Reporting General Provisions" (2010 Amendments) issued by China Securities Regulatory Commission ("CSRC").

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The consolidated and Company's financial statements for the year ended 31 December 2010 are prepared in accordance with the Accounting Standards for Business Enterprises, and present truly and completely the financial position as at 31 December 2010 and financial performance and cash flows and other related information for the year then ended of the Company and its subsidiaries as well as the Company alone.

(3) Accounting year

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

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

(4) Reporting currency

The reporting currency of the Company and its domestic subsidiaries is Renminbi ("RMB"), and the reporting currency for the oversea subsidiaries is the currency of the country in which they operate.

(5) Foreign currency translation

(a) Foreign currency transaction

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

(b) Foreign currency translation of financial statements

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

The cash flows of overseas business are translated at average exchange rates approximating the rates of 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.

(6) Cash and cash equivalents

Cash and cash equivalents represents cash on hand, deposits held at call with banks, 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.

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

(7) Financial assets

Financial assets are classified as the following categories at initial recognition: at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the intention and ability of the Company and its subsidiaries to hold the financial assets. In the current reporting period, the financial assets held by the Company and its subsidiaries are classified as the following categories: at fair value through profit or loss, loans and receivables and available-for-sale 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. Except for designated hedging instruments, derivative financial instruments are classified as held-for-trading.

(b) Loans and receivables

Loans and receivables refer to the non-derivative financial assets with fixed or determinable amount for which there is no quotation in the active market. 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. Loans and receivables include notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, other current assets, long-term receivables and other non-current assets etc.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category.

(d) Recognition and measurement

Financial assets are recognized initially at fair value when the Company and its subsidiaries become a party to the contractual provisions of a financial instrument. Transaction costs relating to financial assets at fair value through profit or loss are directly recorded in income statements as incurred. Transaction costs for other financial assets are included in the carrying amount of assets at initial recognition.

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

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

(7) 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 income statements in the current period as gain or loss from changes in fair value. Interest or cash dividends received during the period in which such financial assets are held and gain of loss on disposal of such assets are recorded in the income statements for the current period. The subsequent changes in the fair value of derivative financial instruments are recorded in gain or loss from changes in fair value, except for the gain or loss arising from the effective portion of qualified hedging instruments of cash flow hedges being deferred in equity (refer to Note 2(7)(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 for the current period. 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.

Loans and 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 changes in the Company and its subsidiaries. Hedging instruments are designated financial instruments with cash flows are expected to offset the cash flows of a hedged item.

The fair value of a hedged item 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 the inception of hedging and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting the changes in cash flows of the hedged items. The Company and its subsidiaries apply ratio analysis method to evaluate the prospective effectiveness of cash flow hedge.

Changes in the fair value of the effective portion of derivatives that are designated and qualified as cash flow hedges are recognized as a separate component in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statements.

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

(7) 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 hedged forecast transaction 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. When the Company and its subsidiaries expect all or a portion of net loss previously recognized in equity will not be recovered in future accounting periods, the irrecoverable portion will be charged to 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 stop hedge accounting. Any cumulative gain or loss previously recorded in equity remains in equity and is recycled to the income statements and initial recognition cost of non-financial assets when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was previously recorded in equity is transferred to the income statements immediately.

(f) Impairment of financial assets

Except for financial assets at fair value through profit or loss, the Company and its subsidiaries assess the carrying amount of financial assets at balance sheet date. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.

When there is a significant or prolonged decline in the fair value of available-for-sale financial assets, accumulated loss in fair value that is previously recorded in shareholder's equity should be recorded as impairment loss. Impairment loss on available-for-sale equity investments is reversed through equity when the fair value subsequently increases.

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 for the current period. If there is objective evidence that the value of the financial assets is recovered as a result of changes in circumstances occurring after the impairment loss was originally recognized, the originally recognized impairment loss is reversed through the income statements.

(g) Derecognition of financial assets

Financial assets are derecognized when: (a) the rights to receive cash flows from the financial assets have expired; or (b) all risks and rewards relating to the ownership of the financial assets have been transferred; or (c) the Company and its subsidiaries have neither transferred nor retained all risks and rewards relating to the ownership but gave up control on the financial assets.

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

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

(g) Derecognition of financial assets *(Cont'd)*

The difference between book value and consideration received and accumulated changes in fair value recorded in equity is recognized in the income statements for the current period.

(8) Receivables

Receivables including accounts receivable, notes receivable and other receivables, etc. are recognized initially at fair value.

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 as assets impairment loss. When a receivable is uncollectable, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are recognized in the income statements as credit against assets impairment loss.

(9) Inventories

Inventories include fuel, 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 according to the actual situation respectively when used, or capitalized to fixed assets when installed, as appropriate, using weighted average cost basis. Cost of inventories mainly 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, estimated selling expenses and related taxes in the ordinary course of business.

The Company and its subsidiaries apply perpetual inventory system.

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

(10) Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, jointly controlled entities, 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 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 financial statements. They are adjusted in accordance with equity method when preparing the consolidated financial statements.

If the Company purchases further interests of its subsidiaries from the minority shareholders, the consideration paid is compared with the 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 shareholders' 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.

(b) Jointly controlled entities and associates

Jointly controlled entities are investees over which the Company is able to exercise joint control together with other parties. Joint control is the contractually agreed sharing of control over an economic activity whereby no party to the agreement is able to act unilaterally to control the activity of the entity. It applies equity method to investment to jointly controlled entities.

Associates are investees over which the Company and its subsidiaries, in substance, have significant influence on the financial and operation decisions. Significant influence refers to the right of participation in investee's financial and operating policies without necessarily having full control or joint control over these policies with other parties. It applies equity method to investment to associates.

(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.

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

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

(d) Investment cost recognition and subsequent measurement

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.

The excess of initial investment cost of long-term equity investments measured using equity method of accounting over the proportionate share of fair value of net identifiable assets of the investee acquired is recognized as long-term equity investment cost at 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 investees 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 measure them as provision if they bear additional obligations which meet the recognition criteria under the accounting standard of provisions. The Company and its subsidiaries adjust the carrying amount of the investment and directly recognize into capital surplus based on their proportionate share on movements of shareholders' equity of the investees other than net profit or loss, given there is no change in shareholding percentage. 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. Unrealized profit or loss from transactions between the Company and its subsidiaries and the investees is eliminated to the extent of interest of the Company and its subsidiaries in the investees. Loss from transactions between the Company and its subsidiaries and the investees is not eliminated when there is evidence for asset impairment.

(e) Impairment of long-term equity investments

When the recoverable amounts of investments in subsidiaries, jointly controlled entities or associates are less than its book value, the carrying amounts are reduced to recoverable amounts. Please refer to Note 2(15) 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).

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

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

(11) 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 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 are all 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, 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	8-45 years	0%-11%	2.11% -11.88%
Electric utility plant in service	5-35 years	0%-11%	2.71%-20.00%
Transportation facilities	6-20 years	0%-11%	4.75%-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.

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 2(15).

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

(12) Construction-in-progress

Construction-in-progress is recorded at cost. Cost comprises construction expenditures, installation expenditures, and other expenditures necessary for the purpose of preparing the assets for their intended use and those borrowing costs eligible for capitalization. Construction-in-progress is transferred to 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 (Note 2(15)).

(13) Intangible assets and amortization

Intangible assets, which include land use right and power generation licence, etc., are initially recognized at cost. The Company's intangible assets obtained during 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 by the Company and its subsidiaries 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 (Note 2(15)).

(14) Goodwill

Goodwill is 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 the consolidated financial statements.

Separately presented goodwill in the 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 2(15) for the accounting policy of impairment of assets group or group of assets groups. Goodwill is presented at cost less accumulated impairment loss.

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

(15) Impairment of long-term assets

Separately presented goodwill in the 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 are tested for impairment when there are any indicators of impairment as of the balance sheet date. If the result of impairment test 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 the asset belongs. An assets group is the smallest group of assets that independently generates cash flows.

The long-term assets impairment referred above cannot be reversed after recognition even if the amount is recovered subsequently.

(16) Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities at initial recognition. The Company and its subsidiaries' financial liabilities are mainly held-for-trading financial liabilities, payables, loans and bonds payables.

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

Loans and bonds payables are initially recognized at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

Financial liabilities due within one year (including one year) are classified as current liabilities; long-term financial liabilities to be mature within one year (including one year) from balance sheet date are classified as current portion of non-current liabilities, and the remaining are classified as non-current liabilities.

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

(17) Borrowing costs

Borrowing costs incurred which are directly attributable to the acquisition or construction of assets that needs a substantially long period of time to get ready for its intended use, are capitalized and recorded in the costs of the assets when the capital expenditure and borrowing costs have been incurred and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of the borrowing costs is ceased when the asset under acquisition or construction is ready for its intended use, and the borrowing costs incurred thereafter are expensed off. If the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, the capitalization of the borrowing costs is suspended until the acquisition or construction is resumed. 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 capitalized interest is determined 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 in the current period.

(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 allocate to related cost of assets and expenses based on beneficiaries.

(19) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognized based on the differences arising between tax bases of assets and liabilities and book value (temporary differences). For deductible tax losses or tax credit that can be brought forward in accordance with tax laws for deduction of taxable income in subsequent years, it is considered as temporary differences and related deferred income tax assets are recognized accordingly. 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 AND ACCOUNTING ESTIMATES *(Cont'd)*

(19) Deferred income tax assets and liabilities *(Cont'd)*

As of 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 all the conditions below are met:

(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.

(20) Revenue recognition

Revenue is recognized based on the following methods:

The amount of revenue is determined by the fair value of the amount received or receivable according to contract or agreement, when sales of goods and rendering of services occur during the operating activities of the Company and its subsidiaries. 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, the amount of the revenue and income can be measured reliably and meet particular conditions of revenue recognition of following business activities.

(a) Product sales revenue

Product sales revenue mainly refers to amounts earned from sales of electricity and heat. The Company and its subsidiaries recognize revenue when electricity and heat is sold to consumers.

(b) Service revenue

Service revenue refers to amounts received from service of port loading, conveying and transportation. The Company and its subsidiaries recognize revenue when the relevant service is provided.

(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.

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

(21) 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 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 long-term receivables and current portion of non-current assets respectively.

Please refer to Note 2(7)(f) for impairment test of the finance lease receivable.

(22) Government grants

Government grants are recognized when the Company and its subsidiaries fulfill the conditions attaching to them and the grants can be received. When government grants are in form of monetary assets, they are measured at the amount received or receivable.

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

Income-related government grant that is used to compensate related expenses or losses in subsequent periods of the Company and its subsidiaries are recognized as deferred income and recorded in the income statements 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 profit and loss of current period.

(23) Dividends appropriation

Cash dividend is recognized as a liability in the period when the proposed dividend is approved by the general meeting of shareholders.

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

(24) 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 (share premium), with any excess over capital surplus (share premium) 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 for 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 a combination is measured as the fair value of the assets given and liabilities incurred or assumed at the date of acquisition. Any direct transaction cost attributable to the combination is recorded in the income statement for the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively. 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, it is recognized in the income statements.

(25) 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. 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 and net profit or loss of the subsidiaries, which is not attributable to the parent company, is separately presented as minority interests in the shareholders' equity and net profit in the consolidated financial statements.

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

(25) Preparation of consolidated financial statements *(Cont'd)*

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 and financial period adopted by the Company.

For subsidiaries acquired under business combinations involving entities 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 at the acquisition date. For subsidiaries acquired under business combinations of 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.

(26) Segment Information

The Company and its subsidiaries determine the operation segment based on the internal organization structure, management requirement and internal reporting system and thereafter determine the reporting segment and present the segment information.

The operation segment is a component in the Company and its subsidiaries that meets all the conditions below: (a) the component earns revenue and incurs expense during the daily operation activities; (b) the management of the Company and its subsidiaries can regularly review the component's operation results in order to make decision on allocating resources and assessing performance; (c) the component's financial performance, operating results, cash flow and other related information are available. When the two or more operation segments have similar economical characteristics and meet certain conditions, the Company and its subsidiaries will combine them as one operation segment.

(27) Determination of the fair value of financial instruments

When an active market exists for a 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, as much as possible.

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

(28) Changes in principal accounting policies

Prior to 1 January 2010, direct transaction costs attributable to the business combinations not involving entities under common control incurred by the acquirer were included in the acquisition cost. In accordance with the requirement on fees of professional agencies and administrative expense incurred by the acquirer for business combination not involving entities under common control in the "Interpretation of Accounting Standards for Business Enterprises No. 4" promulgated by Ministry of Finance on 14 July 2010, acquisition-related expenses under business combination not involving entities under common control, such as audit fee, legal fee, valuation fee and other administrative expenses, should be recorded in the profit or loss for current period since 1 January 2010.

The adjustment is made according to "Interpretation of Accounting Standards for Business Enterprises No. 4", thus does not require approval from internal authority of the Company. This adjustment is applied prospectively and resulted in an increase of general and administrative expenses by RMB6.6 million.

(29) 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 2(14) and 2(13). The recoverable amounts of assets group or group of assets groups are the present value of future cash flow. These calculations require the use of estimates. 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 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.

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

(29) 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. This accounting estimate is based on the expected wears and tears incurred during power generation. Wears and tears can be significantly different after 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 perform impairment test on fixed assets to determine whether certain fixed assets have suffered any impairment whenever indicators of impairment exist. In accordance with Note 2(15), 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) Restraint in construction of new power plants

Receiving the final approval from National Development and Reform Commission ("NDRC") on certain power plant construction projects of the Company and its subsidiaries is a critical estimate and judgment of the management of the Company. Such an estimate and judgment is based on initial approval documents received as well as the understanding of the projects. Based on historical experience, the management believes that the Company and its subsidiaries will receive final approval from NDRC on the related power plant projects. Deviation from the estimate and judgment could result in significant adjustment to the carrying amount of property, plant and equipment, construction-in-progress and construction materials.

3. TAXATION

(1) Value Added Tax ("VAT")

Domestic power and heat 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) Business Tax ("BT")

Port and transportation service of the Company and its subsidiaries are subject to BT, with applicable tax rate of 3%.

(3) Goods and Service Tax ("GST")

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%.

(4) Income tax

In accordance with relevant provisions of the Income tax law, since 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-year tax exemption and three-year 50% tax rate deduction are grandfathered by the old tax laws, administrative regulations and relevant circulars until the expiration of their tax holidays. However, for those whose tax holiday has not commenced due to loss making, the tax holiday is deemed to begin from 2008 onwards.

The oversea subsidiaries of the Company applies income tax rate of 17%.

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

3. TAXATION *(Cont'd)*

(4) 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. Other than the following entities, the applicable income tax rate of all domestic branches and subsidiaries of the Company in the reporting period is 25%.

	Approved File No.	Year 2010	Tax holiday period
Huaneng Dandong Power Plant ("Dandong Power Plant") *(Note 1)*	Dan Guo Shui She Wai [1999]7	11%	Till 31 December 2012
Huaneng Yuhuan Power Plant ("Yuhuan Power Plant") Phase I *(Note 2)*	Guo Shui Han [2007]201 & Zhe Guo Shui Wai [2007]14	11%	Till 31 December 2011
Huaneng Rizhao Power Plant ("Rizhao Power Plant") *(Note 3)*	Guo Shui Han [2007]1348	11%	Till 31 December 2012
Head Office and other branches	Guo Shui Han [1997]368	22%	Till 31 December 2010
Huaneng Hunan Yueyang Power Generation Limited Liability Company ("Yueyang Power Company") *(Note 4)*	Yue Guo Shui Han [2007]166	11%	Till 31 December 2010
Huaneng Chongqing Luohuang Power Generation Limited Liability Company ("Luohuang Power Company") *(Note 5)*	Approved by Chongqing State Tax Bureau Shewai Branch & Yu Guo Shui Zhi Jian [2008]5	15%	Till 31 December 2010
Luohuang Power Company Phase III *(Note 6)*	Yu Guo Shui Zhi Jian [2007]120 & Cai Shui Zi [2002]56	7.5%	Till 31 December 2012
Huaneng Pingliang Power Generation Limited Liability Company ("Pingliang Power Company") *(Note 7)*	Gan Guo Shui Pizi [2009]104	15%	Till 31 December 2010

Note 1. The Company's branch Dandong Power Plant started to enjoy a two-year tax exemption and a three-year 50% tax rate deduction from 1 January 2008 to 31 December 2012 in accordance with Dan Guo Shui She Wai [1999]7.

Note 2. In accordance with the approval from State Tax Bureau of Yuhuan County in 2007, the Company's branch Yuhuan Power Plant Phase I is entitled to a tax holiday with two-year tax exemption and three-year 50% tax rate deduction from 1 January 2007 to 31 December 2011. Its applicable tax rate is 11% in 2010.

Note 3. The Company's branch Rizhao Power Plant enjoyed a tax holiday with two-year tax exemption and three-year 50% tax rate deduction. 2010 was the first year of Rizhao Power Plant enjoying 50% tax rate deduction, thus, its applicable tax rate is 11% in 2010.

Note 4. As approved by Hunan Provincial Tax Bureau, Yueyang Power Company enjoyed a tax holiday with two-year tax exemption and three-year 50% tax rate deduction since the 4th quarter of 2006 as a foreign investment enterprise.

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

3. TAXATION *(Cont'd)*

(4) Income tax *(Cont'd)*

Note 5. In accordance with Yu Guo Shui Zhi Jian [2008]5, Luohuang Power Company was entitled to a 15% income tax rate from 1st January 2008 to 31 December 2010 according to the incentive policy on development of the western areas.

Note 6. 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-year tax exemption and three-year 50% tax rate deduction since the first profit-making year. 2007 was its first profit-making year and the beginning of its tax holiday. 2010 was the second year of Luohuang Power Company Phase III enjoying 50% tax rate deduction.

Note 7. In accordance with Gan Guo Shui Pizi [2009]104 issued by Gansu State Tax Bureau, Pingliang Power Company enjoyed 15% income tax rate from 1 January 2009 to 31 December 2010.

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Subsidiaries

(a) Subsidiaries acquired through establishment, investment or other ways

	Type of subsidiaries	Place of registration	Registered capital	Business nature and scope of operations	Type of legal entity	Legal representative	Organization Code
Huaneng Power International Fuel Limited Liability Company ("Fuel Company")	Direct holding	Beijing	RMB200,000,000	Wholesale of coal	Limited liability company	Liu Guoyue	66990379-7
Huaneng Shanghai Shidongkou Power Generation Limited Liability Company ("Shidongkou Power Company")	Direct holding	Shanghai	RMB990,000,000	Power generation	Limited liability company	Li Shuqing	67786175-0
Huaneng Nantong Power Generation Limited Liability Company ("Nantong Power Company")	Direct holding	Nantong, Jiangsu Province	RMB1,560,000,000	Power generation	Limited liability company	Lin Weijie	68297013-4
Huaneng Yingkou Port Limited Liability Company ("Yingkou Port")	Direct holding	Yingkou, Liaoning Province	RMB720,235,000	Loading and conveying service	Limited liability company	Jiang Peng	68008878-9

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(a) Subsidiaries acquired through establishment, investment or other ways *(Cont'd)*

	Type of subsidiaries	Place of registration	Registered capital	Business nature and scope of operations	Type of legal entity	Legal representative	Organization Code
Huaneng Yingkou Power Generation Limited Liability Company ("Yingkou Cogeneration")	Direct holding	Yingkou, Liaoning Province	RMB830,000,000	Production and sale of electricity and heat	Limited liability company	Zhang Junwei	68371657-6
Huaneng Hunan Xiangqi Hydropower Co., Ltd. ("Xiangqi Hydropower")	Direct holding	Xiangqi County, Hunan Province	RMB100,000,000	Construction, operation and management of hydropower and related projects	Limited liability company	Zhang Jianlin	68504616-6
Zhuozhou Liyuan Cogeneration Co., Ltd. ("Zhuozhou Liyuan")	Direct holding	Zhuozhou, Hebei Province	RMB5,000,000	Construction, operation and management of cogeneration power plants and related projects	Limited liability company	Ge Changqin	69921346-3
Huaneng Zuoquan Coal-fired Power Generation Limited Liability Company ("Zuoquan Coal-fired Power Company")	Direct holding	Jinzhong, Shanxi Province	RMB960,000,000	Preparation of power plant construction and related operation service	Limited liability company	Lin Gang	69668075-2
Huaneng Kangbao Wind Power Utilization Limited Liability Company ("Kangbao Wind Power")	Direct holding	Kangbao County, Hebei Province	RMB5,000,000	Construction, operation and management of wind power generation and related projects	Limited liability company	Li Jianmin	69924468-1
Huaneng Jiuquan Wind Power Generation Co., Ltd. ("Jiuquan Wind Power")	Direct holding	Jiuquan, Gansu Province	RMB1,667,000,000	Construction, operation and management of wind power generation and related projects	Limited liability company	Gao Shulin	55625278-0

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(a) Subsidiaries acquired through establishment, investment or other ways *(Cont'd)*

	Type of subsidiaries	Place of registration	Registered capital	Business nature and scope of operations	Type of legal entity	Legal representative	Organization Code
Huaneng Wafangdian Wind Power Generation Co., Ltd. ("Wafandian Wind Power")	Direct holding	Wafangdian, Liaoning Province	RMB50,000,000	Construction, operation and management of wind power generation and related projects (preparation, shall not operate)	Limited liability company	Gao Bing	55980023-6
Huaneng Changtu Wind Power Generation Co., Ltd. ("Changtu Wind Power")	Direct holding	Changtu County, Liaoning Province	RMB50,000,000	Construction, operation and management of wind power generation and related projects	Limited liability company	Gao Bing	55819524-9
Huaneng Rudong Wind Power Generation Co., Ltd ("Rudong Wind Power")	Direct holding	Rudong County, Jiangsu Province	RMB127,500,000	Construction and management of wind power generation plant	Limited liability company	Pang Yuantong	56531295-X
Huaneng Haimen Port Limited Liability Company ("Haimen Port")	Direct holding	Shantou, Guangdong Province	RMB10,000,000	Preparation, shall not engage in operation and business activities	Limited liability company	Li Wenxue	56256643-6
Tuas Power Generation Pte Ltd. ("TPG")	Indirect holding	Singapore	SGD1,183,000,001	Power generation and related by products, derivatives; developing power supply resources, operating electricity and power sales	Limited liability company	N/A	200909292D
TP Utilities Pte Ltd. ("TP Utilities")	Indirect holding	Singapore	SGD160,000,001	Provide utilities & services – electricity, steam, industrial water, waste management	Limited liability company	N/A	200920924G

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(a) Subsidiaries acquired through establishment, investment or other ways *(Cont'd)*

	Actual amount of investment cost at end of the year	Other deem investment items	Percentage of equity interest (%)	Percentage of voting right (%)	Included in consolidated financial statements	Minority interests	Loss recorded in minority interests balance
Fuel Company	200,000,000	—	100%	100%	Yes	—	—
Shidongkou Power Company	495,000,000	—	50%	50%	Yes *	495,033,126	—
Nantong Power Company	546,000,000	—	70%	70%	Yes	234,000,000	—
Yingkou Port	360,117,500	—	50%	50%	Yes *	364,315,532	—
Yingkou Cogeneration	830,000,000	—	100%	100%	Yes	—	—
Xiangqi Hydropower	180,000,000	—	100%	100%	Yes	—	—
Zhuozhou Liyuan	5,000,000	—	100%	100%	Yes	—	—
Kangbao Wind Power	343,720,000	—	100%	100%	Yes	—	—
Zuoquan Coal-fired Power Company	520,786,200	—	80%	80%	Yes	96,000,000	—
Jiuquan Wind Power	1,853,357,551	—	100%	100%	Yes	—	—
Wafandian Wind Power	62,630,000	—	100%	100%	Yes	—	—
Changtu Wind Power	50,000,000	—	100%	100%	Yes	—	—
Rudong Wind Power	22,950,000	—	90%	90%	Yes	2,550,000	—
Haimen Port	10,000,000	—	100%	100%	Yes	—	—
TPG	6,055,895,305	—	100%	100%	Yes	—	—
TP Utilities	819,056,005	—	100%	100%	Yes	—	—
	12,354,512,561	—				1,191,898,658	—

* Pursuant to agreements with other shareholders, the Company has controls over these entities.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(b) Subsidiaries acquired from business combinations under common control

	Type of subsidiaries	Place of registration	Registered capital	Business nature and scope of operations	Type of legal entity	Legal representative	Organization Code
Huaneng (Suzhou Industrial Park) Power Generation Co., Ltd. ("Taicang Power Company")	Direct holding	Suzhou, Jiangsu Province	RMB632,840,000	Power generation	Limited liability company	Lin Weijie	13484976-3
Huaneng Qinbei Power Generation Limited Liability Company ("Qinbei Power Company")	Direct holding	Jiyuan, Henan Province	RMB810,000,000	Power generation	Limited liability company	Ye Xiangdong	73551491-8
Huaneng Yushe Power Generation Co., Ltd. ("Yushe Power Company")	Direct holding	Yushe County, Shanxi Province	RMB615,760,000	Power generation	Limited liability company	Lin Gang	60273002-7
Yueyang Power Company	Direct holding	Yueyang, Hunan Province	RMB1,055,000,000	Power generation	Limited liability company	Ye Xiangdong	61665023-9
Luohuang Power Company	Direct holding	Chongqing	RMB1,748,310,000	Power generation	Limited liability company	Ye Xiangdong	X2190009-1
Pingliang Power Company	Direct holding	Pingliang, Gansu Province	RMB924,050,000	Power generation	Limited liability company	Lin Gang	22436987-8
Huaneng Nanjing Jinling Power Company ("Jinling Power")	Direct holding	Nanjing, Jiangsu Province	RMB1,902,000,000	Power generation	Limited liability company	Lin Weijie	77125600-4
Huaneng Qidong Wind Power Generation Co., Ltd. ("Qidong Wind Power")	Direct holding	Qidong, Jiangsu Province	RMB200,000,000	Development of wind power project, production and sale of electricity	Limited liability company	Pang Yuantong	66638519-7
Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company ("Yangliuqing Power Company")	Direct holding	Tianjin	RMB1,537,130,909	Power generation, heat supply	Limited liability company	Lin Gang	10306946-5
Huaneng Beijing Cogeneration Limited Liability Company ("Beijing Cogeneration")	Direct holding	Beijing	RMB1,600,000,000	Construction and operation of power plants and related construction projects	Limited liability company	Gu Biquan	X2600055-1

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(b) Subsidiaries acquired from business combinations under common control *(Cont'd)*

	Actual amount of investment cost at end of the year	Other deem investment items	Percentage of equity interest (%)	Percentage of voting right (%)	Included in consolidated financial statements	Minority interests	Loss recorded in minority interests balance
Taicang Power Company	771,527,000	—	75%	75%	Yes	217,036,473	—
Qinbei Power Company	1,266,187,072	—	60%	60%	Yes	623,663,846	24,553,611
Yushe Power Company	380,385,896	—	60%	60%	Yes	(91,768,170)	357,082,022
Yueyang Power Company	1,076,701,197	—	55%	55%	Yes	488,598,681	—
Luohuang Power Company	1,930,501,221	—	60%	60%	Yes	896,630,533	—
Pingliang Power Company	1,151,641,517	—	65%	65%	Yes	295,560,996	161,471,612
Jinling Power Company	1,302,680,000	—	60%	60%	Yes	937,524,096	—
Qidong Wind Power	200,240,000	—	65%	65%	Yes	96,916,771	—
Yangliuqing Power Company	1,064,900,000	—	55%	55%	Yes	653,840,712	59,968,459
Beijing Cogeneration	1,175,117,000	—	41%	66%*	Yes	1,218,251,684	—
	10,319,880,903	—				5,336,255,622	603,075,704

* According to the agreement between the Company and the rest of the shareholders, a shareholder who owns 25% voting interest in Beijing Cogeneration entrust the Company for the right to vote for free.

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)

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(c) Subsidiaries acquired from business combinations not under common control

	Type of subsidiaries	Place of registration	Registered capital	Business nature and scope of operations	Type of legal entity	Legal representative	Organization Code
Huaneng Weihai Power Limited Liability Company ("Weihai Power Company")	Direct holding	Weihai, Shandong Province	RMB761,838,300	Power generation	Limited liability company	Wang Chunguang	26420668-6
Huaneng Taicang Power Co., Ltd. ("Taicang II Power Company")	Direct holding	Taicang, Jiangsu Province	RMB804,146,700	Power generation	Limited liability company	Lin Weijie	76280945-5
Huaneng Huaiyin Power Generation Co., Ltd. ("Huaiyin Power Company")	Direct holding	Huai'an, Jiangsu Province	RMB265,000,000	Power generation	Limited liability company	Lin Weijie	13478263-4
Huaneng Huaiyin II Power Limited Company ("Huaiyin II Power Company")	Direct holding	Huai'an, Jiangsu Province	RMB930,870,000	Power generation	Limited liability company	Lin Weijie	76357769-2
Huaneng Xindian Power Co., Ltd. ("Xindian II Power Company")	Direct holding	Zibo, Shandong Province	RMB100,000,000	Power generation	Limited liability company	Zhang Qi	76095380-8
Huaneng Shanghai Combined Cycle Power Limited Liability Company ("Shanghai Combined Cycle Power Company")	Direct holding	Shanghai	RMB699,700,000	Power generation	Limited liability company	Wu Dawei	77092642-4
Huade County Daditaihong Wind Power Utilization Limited Liability Company ("Daditaihong")	Direct holding	Huade County, Inner Mongolia	RMB5,000,000	Wind Power exploitation and utilization	Limited liability company	Lin Weijie	79364854-3
Huaneng Zhanhua Co-generation Limited Liability Company ("Zhanhua Cogeneration")	Direct holding	Zhanhua Country, Shandong Province	RMB190,000,000	Production and sales of electricity and steam	Limited liability company	Qin Zhenlin	74896037-8

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(c) Subsidiaries acquired from business combinations not under common control *(Cont'd)*

	Type of subsidiaries	Place of registration	Registered capital	Business nature and scope of operations	Type of legal entity	Legal representative	Organization Code
Shandong Luneng Sea Transportation Limited Company ("Luneng Sea Transportation")	Direct holding	Longkou, Shandong Province	RMB45,000,000	Domestic cargo transportation	Limited liability company	Wang Fan	16306513-2
Huaneng Qingdao Port Limited Company ("Qingdao Port")	Direct holding	Jiaonan, Qingdao, Shandong Province	RMB300,000,000	Port cargo loading and conveying, warehousing (excluding dangerous goods), supply water carriage materials	Limited liability company	Chen Jingchuan	78374701-1
Huaneng Jilin Biological Power Generation Limited Company ("Jilin Biological Power")	Direct holding	Changchun, Jilin Province	RMB109,000,000	Biomass power generation (excluding projects need specific examination and approval)	Limited liability company	Xu Yunhai	79523343-X
Kaifeng Xinli Power Generation Co., Ltd. ("Kaifeng Xinli")	Indirect holding	Kaifeng, Henan Province	RMB146,920,000	Power generation	Limited liability company	Zhao He	61475670-X
SinoSing Power Pte. Ltd ("SinoSing Power")	Direct holding	Singapore	USD1,098,014,668	Investment holding	Limited liability company	NA	200804742G
Tuas Power Ltd. ("Tuas Power")	Indirect holding	Singapore	SGD1,338,050,000	Supply gas and electricity, investment holding	Limited liability company	NA	199502116G
Tuas Power Supply Pte Ltd. ("TPS")	Indirect holding	Singapore	SGD500,000	Power sales	Limited liability company	NA	200004985K

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(c) Subsidiaries acquired from business combinations not under common control *(Cont'd)*

	Type of subsidiaries	Place of registration	Registered capital	Business nature and scope of operations	Type of legal entity	Legal representative	Organization Code
TP Asset Management Pte Ltd. ("TPAM") *	Indirect holding	Singapore	SGD2	Render of environment engineering services	Limited liability company	NA	200505009R
TPGS Green Energy Pte Ltd. ("TPGS")	Indirect holding	Singapore	SGD1,000,000	Render of utility services	Limited liability company	NA	200612583W
New Earth Pte Ltd. ("NewEarth")	Indirect holding	Singapore	SGD10,111,841	Waste recycling advisory	Limited liability company	NA	200306521R
New Earth Singapore Pte Ltd. ("NewEarth Singapore")	Indirect holding	Singapore	SGD12,516,050	Industrial waste management and recycling	Limited liability company	NA	200510273E

* On 5 January 2010, the subsidiary of the Company "Tuas Power Utilities Pte Ltd." was renamed as "TPAM".

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(1) Subsidiaries *(Cont'd)*

(c) Subsidiaries acquired from business combinations not under common control *(Cont'd)*

	Actual amount of investment cost at end of the year	Other deem investment items	Percentage of equity interest (%)	Percentage of voting right (%)	Included in consolidated financial statements	Minority interests	Loss recorded in minority interests balance
Weihai Power Company	718,241,793	—	60%	60%	Yes	496,897,292	—
Taicang II Power Company	603,110,000	—	75%	75%	Yes	267,633,627	—
Huaiyin Power Company	760,884,637	—	100%	100%	Yes	—	—
Huaiyin II Power Company	592,403,600	—	63.64%	63.64%	Yes	254,317,556	95,322,356
Xindian II Power Company	442,320,000	—	95%	95%	Yes	(10,863,278)	34,195,460
Shanghai Combined Cycle Power Company	489,790,000	—	70%	70%	Yes	251,961,758	—
Daditaihong	192,142,000	—	100%	100%	Yes	—	—
Zhanhua Cogeneration	408,127,900	—	100%	100%	Yes	—	—
Luneng Sea Transportation	155,895,400	—	53%	53%	Yes	106,819,515	—
Qingdao Port	455,963,800	—	100%	100%	Yes	—	—
Jilin Biological Power	139,886,400	—	100%	100%	Yes	—	—
Kaifeng Xinli*	82,140,000	—	33%	55%*	Yes	34,179,982	6,267,051
SinoSing Power	7,841,267,424	—	100%	100%	Yes	—	—
Tuas Power	22,358,759,618	—	100%	100%	Yes	—	—
TPS	101,358,180	—	100%	100%	Yes	—	—
TPAM	10	—	100%	100%	Yes	—	—
TPGS	3,839,325	—	75%	75%	Yes	5,149,297	—
NewEarth	54,016,252	—	60%	60%	Yes	20,487,041	6,382,399
NewEarth Singapore	46,137,629	—	75%	75%	Yes	13,209,777	4,130,984
	35,446,283,968	—				1,439,792,567	146,298,250

* Kaifeng Xinli is a subsidiary held by Qinbei Power Company, a subsidiary of the Company.

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(2) New entities included in consolidation scope during this year

	Net assets as at 31 December 2010	Net profit/(loss) for the current period
Kangbao Wind Power	**343,720,000**	—
Jiuquan Wind Power	**1,853,357,551**	—
Wafangdian Wind Power	**62,630,000**	—
Changtu Wind Power	**50,000,000**	—
Haimen Port	**10,000,000**	—
Rudong Wind Power	**25,500,000**	—
Zhanhua Cogeneration*	**98,937,313**	(17,456,666)
Luneng Sea Transportation*	**227,275,565**	(993,614)
Qingdao Port*	**348,961,579**	—
Jilin Biological Power*	**105,555,651**	—

* These are subsidiaries acquired from acquisitions not involving entities under common control this year. Net profit/(loss) for the current period represents the net profit/(loss) for the period from acquisition date to 31 December 2010 (Notes 4(3)).

(3) Business combination not involving entities under common control

	Goodwill	**Calculation of goodwill**
Zhanhua Cogeneration (a)	291,733,921	The excess of acquisition cost over the proportionate share of fair value of net identifiable assets acquired was recorded as goodwill. Detailed calculations are presented below.
Luneng Sea Transportation (b)	34,912,735	
Qingdao Port (c)	107,002,221	
Jilin Biological Power (d)	34,330,749	

(a) Zhanhua Cogeneration

The Company acquired 100% equity interest of Zhanhua Cogeneration from Shandong Electric Power Corporation ("Shandong Power"). This transaction was effective after the Company obtained effective control over the acquiree (the acquisition date) in December 2010.

(i) Acquisition cost and goodwill:

Acquisition costs –	
Consideration in cash	408,127,900
Fair value of non-cash assets transferred	—
Fair value of liabilities incurred or assumed	—
Total	408,127,900
Less: proportionate share of fair value of net identifiable assets	(116,393,979)
Goodwill	291,733,921

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(3) Business combination not involving entities under common control *(Cont'd)*

(a) Zhanhua Cogeneration *(Cont'd)*

(ii) The assets and liabilities of Zhanhua Cogeneration as at the acquisition date and related cash flow of the acquisition are as follows:

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2009 Carrying amount
Cash and cash equivalents	8,438,978	8,438,978	35,187,661
Receivables	97,085,866	97,085,866	91,006,736
Inventories	28,109,855	28,109,855	21,165,377
Fixed assets and construction-in-progress	1,152,893,579	975,736,050	1,020,292,784
Intangible assets	203,249,392	113,908,564	35,488,183
less: Borrowings	(950,000,000)	(950,000,000)	(858,000,000)
Payables	(354,737,370)	(354,737,370)	(332,692,298)
Salary and welfare payables	(2,021,731)	(2,021,731)	(2,822,921)
Deferred income tax liabilities	(66,624,590)	—	—
Net assets	116,393,979	(83,479,788)	9,625,522
Less: minority interests	—	—	—
Net assets acquired	116,393,979	(83,479,788)	9,625,522
Consideration in cash	408,127,900		
Less: cash and cash equivalents from the subsidiary acquired	(8,438,978)		
Less: Unpaid consideration	(77,544,301)		
Net cash paid for acquiring the subsidiary	322,144,621		

(iii) The operating revenue, net loss and cash flows of Zhanhua Cogeneration for the period from the acquisition date to 31 December 2010 are as follows:

Operating revenue	67,004,454
Net loss	(17,456,666)
Cash flows from operating activities	14,209,211
Net cash flows	(1,737,314)

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(3) Business combination not involving entities under common control *(Cont'd)*

(b) Luneng Sea Transportation

The Company acquired 53% equity interest of Luneng Sea Transportation from Shandong Power. This transaction was effective after the Company obtained effective control over the acquiree (the acquisition date) in December 2010.

(i) Acquisition cost and goodwill:

Acquisition costs –	
Consideration in cash	155,895,400
Fair value of non-cash assets transferred	—
Fair value of liabilities incurred or assumed	—
Total	155,895,400
Less: proportionate share of fair value of net identifiable assets	(120,982,665)
Goodwill	34,912,735

(ii) The assets and liabilities of Luneng Sea Transportation as at the acquisition date and related cash flow of the acquisition are as follows:

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2009 Carrying amount
Cash and cash equivalents	25,777,598	25,777,598	16,359,544
Receivables	8,847,338	8,847,338	8,615,576
Inventories	3,968,712	3,968,712	3,106,993
Fixed assets	283,321,575	269,724,434	286,825,830
Intangible assets	3,734,583	—	—
less: Borrowings	(20,000,000)	(20,000,000)	(30,000,000)
Payables	(66,596,420)	(66,596,420)	(77,932,015)
Salary and welfare payables	(4,241,004)	(4,241,004)	(4,681,527)
Deferred income tax liabilities	(6,543,203)	(2,210,272)	(2,210,272)
Net assets	228,269,179	215,270,386	200,084,129
Less: minority interests	(107,286,514)	—	—
Net assets acquired	120,982,665	215,270,386	200,084,129
Consideration in cash	155,895,400		
Less: cash and cash equivalents from the subsidiary acquired	(25,777,598)		
Less: Unpaid consideration	(76,388,746)		
Net cash paid for acquiring the subsidiary	53,729,056		

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(3) Business combination not involving entities under common control *(Cont'd)*

(b) Luneng Sea Transportation *(Cont'd)*

(iii) The operating revenue, net loss and cash flows of Luneng Sea Transportation for the period from the acquisition date to 31 December 2010 are as follows:

Operating revenue	10,914,403
Net loss	(993,614)
Cash flows from operating activities	(2,444,740)
Net cash flows	(2,533,240)

(c) Qingdao Port

The Company acquired 100% equity interest of Qingdao Port from Shandong Power. This transaction was effective after the Company obtained effective control over the acquiree (the acquisition date) in December 2010.

(i) Acquisition cost and goodwill:

Acquisition costs –	
Consideration in cash	455,963,800
Fair value of non-cash assets transferred	—
Fair value of liabilities incurred or assumed	—
Total	455,963,800
Less: proportionate share of fair value of net identifiable assets	(348,961,579)
Goodwill	107,002,221

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(3) Business combination not involving entities under common control *(Cont'd)*

(c) Qingdao Port *(Cont'd)*

(ii) The assets and liabilities of Qingdao Port as at the acquisition date and related cash flow of the acquisition are as follows:

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2009 Carrying amount
Cash and cash equivalents	31,754,222	31,754,222	58,410,729
Receivables	3,526,710	3,526,710	99,530,460
Fixed assets, construction-in-progress and construction materials	584,020,713	545,565,769	341,978,443
Intangible assets	35,454,806	8,627,645	8,800,571
Other non-current assets	213,769	213,769	213,769
less: Borrowings	(110,000,000)	(110,000,000)	(110,000,000)
Payables	(179,131,568)	(179,131,568)	(98,615,720)
Salary and welfare payables	(556,547)	(556,547)	(318,252)
Deferred income tax liabilities	(16,320,526)	—	—
Net assets	348,961,579	300,000,000	300,000,000
Less: minority interests	—	—	—
Net assets acquired	348,961,579	300,000,000	300,000,000
Consideration in cash	455,963,800		
Less: cash and cash equivalents from the subsidiary acquired	(31,754,222)		
Less: Unpaid consideration	(86,633,122)		
Net cash paid for acquiring the subsidiary	337,576,456		

(iii) The operating revenue, net profit and cash flows of Qingdao Port for the period from the acquisition date to 31 December 2010 are as follows:

Operating revenue	—
Net profit	—
Cash flows from operating activities	—
Net cash flows	(22,595,644)

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(3) Business combination not involving entities under common control *(Cont'd)*

(d) Jilin Biological Power

The Company acquired 100% equity interest of Jilin Biological Power from Shandong Power. This transaction was effective after the Company obtained effective control over the acquiree (the acquisition date) in December 2010.

(i) Acquisition cost and goodwill:

Acquisition costs –	
Consideration in cash	139,886,400
Fair value of non-cash assets transferred	—
Fair value of liabilities incurred or assumed	—
Total	139,886,400
Less: proportionate share of fair value of net identifiable assets	(105,555,651)
Goodwill	34,330,749

(ii) The assets and liabilities of Jilin Biological Power as at the acquisition date and related cash flow of the acquisition are as follows:

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2009 Carrying amount
Cash and cash equivalents	24,553,400	24,553,400	45,685,042
Receivables	5,704,767	5,704,767	779,945
Inventories	6,658	6,658	—
Fixed assets and construction-in-progress	293,287,045	291,088,635	234,757,737
Intangible assets	31,287,646	20,810,445	14,875,198
less: Borrowings	(200,000,000)	(200,000,000)	(150,000,000)
Payables	(46,113,714)	(46,113,714)	(45,867,725)
Salary and welfare payables	(1,249)	(1,249)	(36,764)
Deferred income tax liabilities	(3,168,902)	—	—
Net assets	105,555,651	96,048,942	100,193,433
Less: minority interests	—	—	—
Net assets acquired	105,555,651	96,048,942	100,193,433
Consideration in cash	139,886,400		
Less: cash and cash equivalents from the subsidiary acquired	(24,553,400)		
Less: Unpaid consideration	(68,544,336)		
Net cash paid for acquiring the subsidiary	46,788,664		

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

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

(3) Business combination not involving entities under common control *(Cont'd)*

(d) Jilin Biological Power *(Cont'd)*

(iii) The operating revenue, net profit and cash flows of Jilin Biological Power for the period from the acquisition date to 31 December 2010 are as follows:

Operating revenue	—
Net profit	—
Cash flows from operating activities	—
Net cash flows	(15,394,822)

(4) Exchange rates for translation of key financial statement items of overseas operating entities

	Asset and liability items		Income and cash flow statement items
	31 December 2010	31 December 2009	
Subsidiaries registered in Singapore	**1 SGD = 5.1191 RMB**	1 SGD = 4.8605 RMB	Average exchange rates approximating the rate on transaction dates

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash

		31 December 2010			31 December 2009		
		Original currency amount	**Exchange rate**	**RMB equivalent**	Original currency amount	Exchange rate	RMB equivalent
Cash	— RMB	**2,318,183**	**1**	**2,318,183**	1,158,844	1	1,158,844
	— SGD	**5,406**	**5.1191**	**27,674**	4,663	4.8605	22,667
Subtotal				**2,345,857**			1,181,511
Bank deposits	— RMB	**4,430,250,259**	**1**	**4,430,250,259**	3,389,961,719	1	3,389,961,719
	— USD	**183,425,813**	**6.6227**	**1,208,447,052**	69,893,019	6.8282	475,457,672
	— JPY	**81,114,379**	**0.0813**	**6,556,523**	81,114,379	0.0738	5,953,272
	— HKD	**2,364,999,900**	**0.8509**	**2,012,378,415**	—	—	—
	— SGD	**368,801,174**	**5.1191**	**1,887,930,090**	324,965,670	4.8605	1,579,495,640
Subtotal				**9,545,562,339**			5,450,868,303
				9,547,908,196			5,452,049,814

Please refer to Note 5(47) for the balances and changes of cash and cash equivalents stated in the cash flow statement.

Please refer to Note 7(6) for cash deposits in a related party.

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

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

(2) Derivative financial assets and liabilities

	31 December 2010	31 December 2009
Derivative financial assets		
— Hedging instruments of cash flow hedge (fuel swap contracts)	**144,289,348**	151,285,914
— Hedging instruments of cash flow hedge (forward exchange contracts)	**117,418**	—
— Hedging instruments of cash flow hedge (Interest rate swap contracts)	**75,893,947**	39,585,882
— Financial instruments at fair value through profit or loss (fuel swap contracts)	**3,809,826**	(4,122,820)
Subtotal	**224,110,539**	186,748,976
Less: non-current asset portion	**(91,478,179)**	(44,863,269)
Total	**132,632,360**	141,885,707
Derivative financial liabilities		
— Hedging instruments of cash flow hedge (fuel swap contracts)	**3,399,214**	(1,368,141)
— Hedging instruments of cash flow hedge (forward exchange contracts)	**94,520,519**	9,344,693
— Hedging instruments of cash flow hedge (Interest rate swap contracts)	**82,158,243**	—
— Financial instruments at fair value through profit or loss (fuel swap contracts)	**2,396,547**	6,276,225
Subtotal	**182,474,523**	14,252,777
Less: non-current liability portion	**(95,862,772)**	(849,636)
Total	**86,611,751**	13,403,141

Overseas subsidiaries of the Company use forward exchange contracts to hedge foreign exchange risk arising from highly probable forecast purchase transactions. The subsidiaries also use fuel swap contracts to hedge fuel price risk arising from highly probable forecast fuel purchases.

The Company and its overseas subsidiaries use interest rate swap contracts to hedge interest rate risk arising from floating rate borrowing.

The fair value of the exchange forward contracts, fuel swap contracts and interest rate swap contracts was measured based on market price.

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

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

(2) Derivative financial assets and liabilities *(Cont'd)*

The analysis of contractual cash inflows/(outflows) of major derivative financial instruments are as follows:

		Cash flow			
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 5 years	After 5 years
As at 31 December 2010					
Derivative financial assets					
Fuel derivatives used for hedging (net settlement)	144,289,348	144,289,348	128,803,720	15,485,628	—
Forward exchange contracts used for hedging					
— inflows		22,854,543	5,578,482	17,276,061	—
— outflows		(22,841,505)	(5,587,112)	(17,254,393)	—
Subtotal	117,418	13,038	(8,630)	21,668	—
Net-settled interest rate swaps used for hedging–net cash inflows/(outflows)	75,893,947	78,701,043	(90,387,949)	(77,252,338)	246,341,330
Fuel derivatives that do not qualify as hedges (net settlement)	3,809,826	3,809,826	3,809,826	—	—
Derivative financial liabilities					
Fuel derivatives used for hedging (net settlement)	3,399,214	(3,399,214)	(2,818,076)	(581,138)	—
Forward exchange contracts used for hedging					
— inflows		3,854,529,770	3,609,448,866	245,080,904	—
— outflows		(3,950,469,155)	(3,692,238,493)	(258,230,662)	—
Subtotal	94,520,519	(95,939,385)	(82,789,627)	(13,149,758)	—
Net-settled interest rate swaps used for hedging–net cash inflows/(outflows)	82,158,243	(69,965,124)	(74,596,366)	(64,088,595)	68,719,837
Fuel derivatives that do not qualify as hedges (net settlement)	2,396,547	(2,396,547)	(2,396,547)	—	—
As at 31 December 2009					
Derivative financial assets					
Fuel derivatives used for hedging (net settlement)	151,285,914	151,285,914	146,011,529	5,274,385	—
Fuel derivatives that do not qualify as hedges (net settlement)	(4,122,820)	(4,122,820)	(4,122,820)	—	—
Derivative financial liabilities					
Fuel derivatives used for hedging (net settlement)	(1,368,141)	1,368,141	1,368,141	—	—
Forward exchange contracts used for hedging					
— inflows		2,684,750,582	2,641,444,277	43,306,305	—
— outflows		(2,712,478,491)	(2,668,293,144)	(44,185,347)	—
Subtotal	9,344,693	(27,727,909)	(26,848,867)	(879,042)	—
Fuel derivatives that do not qualify as hedges (net settlement)	6,276,225	(6,276,225)	(6,276,225)	—	—

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

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

(3) Notes receivable

	31 December 2010	31 December 2009
Banking notes receivable	494,982,203	351,630,301
Commercial notes receivable	141,560,000	—
	636,542,203	351,630,301

As at 31 December 2010, the balance of notes discounted by the Company and its subsidiaries that were yet to mature amounted to RMB10,000,000. As these notes receivable were yet to mature, the proceeds received were recorded as short-term loans (31 December 2009: RMB141,593,857) (Note 5(18)(a)).

As at 31 December 2010, notes receivable of RMB10,000,000 of the Company and its subsidiaries were pledged to a bank as collateral against banking notes of RMB7,243,500 (31 December 2009: Nil) (Note 5(19)).

(4) Accounts receivable

	31 December 2010	31 December 2009
Accounts receivable	10,426,783,940	9,846,912,352
Less: provision for doubtful accounts	(154,190,526)	(155,639,871)
	10,272,593,414	9,691,272,481

(a) The ageing analysis of accounts receivable are as follows:

	31 December 2010	31 December 2009
Within 1 year	10,267,980,557	9,683,824,538
1-2 years	535,091	29,726,315
2-3 years	24,956,793	—
3-4 years	—	—
4-5 years	—	2,228,170
Over 5 years	133,311,499	131,133,329
	10,426,783,940	9,846,912,352

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

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

(4) Accounts receivable *(Cont'd)*

(b) As at 31 December 2010, the individually significant (over 10% of accounts receivable balance) accounts receivable of the Company and its subsidiaries amounted to RMB3,589,215,456 (31 December 2009: RMB2,676,344,583), representing 34.42% (31 December 2009: 27.18%) of the total accounts receivable. There was no bad debt provision made on these accounts receivable based on the assessment as at 31 December 2010 (31 December 2009: Nil).

(c) As at 31 December 2010, the provision for doubtful accounts on accounts receivable which were individually insignificant but tested for impairment on an individual basis are as follows:

	Amount	Provision for doubtful accounts	Percentage
Chongqing Special Steel Co., Ltd.	103,773,448	(103,773,448)	100%
Chongqing No. 3 Textile Factory	13,458,241	(13,458,241)	100%
Others	36,958,837	(36,958,837)	100%
	154,190,526	(154,190,526)	

* As at 31 December 2010, accounts receivable of the Company and its subsidiaries which need individual impairment test were mainly past due receivables due from local customers of subsidies. Provisions for doubtful accounts have been made for these receivables based on the operating and financial condition of these customers.

(d) There were no significant account receivables written off during 2010 (2009: Nil).

(e) As at 31 December 2010, there was no accounts receivable from shareholders who held 5% or more of the equity interest in the Company (31 December 2009: Nil).

(f) As at 31 December 2010, the top five accounts receivable of the Company and its subsidiaries are as follows:

	Relationships	Amount	Ageing	Percentage
Shandong Power	Non-related Party	1,305,671,476	Within one year	12.52%
Jiangsu Electric Power Company	Non-related Party	1,217,161,505	Within one year	11.67%
ZheJiang Electric Power Corporation	Non-related Party	1,063,382,475	Within one year	10.20%
Guangdong Power Grid Corporation	Non-related Party	978,527,953	Within one year	9.38%
Liaoning Electric Power Limited Company	Non-related Party	670,427,702	Within one year	6.43%
		5,235,171,111		50.20%

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

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

(4) Accounts receivable *(Cont'd)*

(g) As at 31 December 2010, there were no accounts receivable from the related parties (31 December 2009: Nil).

(h) As at 31 December 2010, accounts receivable (within one year and no provision of doubtful accounts) of the Company and its subsidiaries approximating RMB1,513,050,207 (2009: RMB1,031,926,931) were secured to a bank as collateral against a short-term loan of RMB1,389,449,751 (2009: RMB698,361,762) (Note 5(18)).

(i) Accounts receivable balances by currency are as follows:

	31 December 2010			31 December 2009		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	9,247,178,702	1	9,247,178,702	8,945,407,778	1	8,945,407,778
SGD	220,863,659	5.1191	1,130,623,155	168,175,243	4.8605	817,415,768
USD	7,440,509	6.6227	48,982,083	12,383,997	6.8282	84,088,806
Total			10,426,783,940			9,846,912,352

(5) Other receivables

	31 December 2010	31 December 2009
Receivable from Administration Center of Housing Fund for proceeds from sales of staff quarters	62,233,204	39,192,045
Staff advances	15,557,891	13,032,325
Prepayments for constructions and projects	344,660,505	209,166,442
Prepayments for investments	373,440,000	387,000,000
Receivables from fuel sales	260,447,555	—
Receivable from HIPDC	—	119,589,978
Others	588,638,110	454,083,677
Total	1,644,977,265	1,222,064,467
Less: provision for bad debts	(42,075,704)	(38,658,528)
	1,602,901,561	1,183,405,939

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

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

(5) Other receivables *(Cont'd)*

(a) The ageing analysis of other receivables is as follows:

	31 December 2010	31 December 2009
Within 1 year	**669,687,029**	913,355,024
1-2 years	**678,491,074**	167,726,450
2-3 years	**161,111,603**	11,659,017
3-4 years	**10,030,296**	15,131,425
4-5 years	**13,220,585**	17,615,463
Over 5 years	**112,436,678**	96,577,088
	1,644,977,265	1,222,064,467

(b) As at 31 December 2010, the individually significant (over 10% of other receivables balance) other receivables of the Company and its subsidiaries amounted to RMB440,128,690 (31 December 2009: RMB357,000,000), representing 26.75% (31 December 2009: 29.21%) of the total other receivables. There was no bad debt provision made on these other receivables based on the assessment as at 31 December 2010 (31 December 2009: Nil).

(c) As at 31 December 2010, the provisions for doubtful accounts on other receivables which were individually insignificant but tested for impairment on an individual basis are as follows:

	Amount	Provision for doubtful accounts	Percentage
Dalian Development Zone Trust and Investment Corporation	4,700,000	(4,700,000)	100.00%
Hebei Convention and Exhibition Center	5,000,000	(5,000,000)	100.00%
Heshun Company	1,000,000	(1,000,000)	100.00%
Xiangtan Branch of China Construction Bank	1,157,313	(1,074,612)	92.85%
Huaxing Company	2,576,874	(2,576,874)	100.00%
Yushe Financial Bureau	2,400,000	(2,400,000)	100.00%
Yushe Yunzhu Road Reconstruction Office	1,800,000	(1,800,000)	100.00%
Shanxi Province Power Supply Company	2,000,000	(2,000,000)	100.00%
Shandong Lubei Enterprise Group	22,368,667	(15,597,638)	69.73%
Others	16,494,566	(5,926,580)	35.93%
	59,497,420	(42,075,704)	

* Provision for doubtful accounts have been made for these receivables based on the operating and financial condition of these customers.

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

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

(5) Other receivables *(Cont'd)*

(d) There were no significant other receivables written off during 2010 (2009: Nil).

(e) As at 31 December 2010, there was no other receivable from shareholders who held 5% or more of the equity interest in the Company (31 December 2009: receivable from HPIDC RMB119,589,978).

(f) As at 31 December 2010, the top five other receivables of the Company and its subsidiaries are as follows:

	Relationship	Amount	Ageing	Percentage
Yunnan Diandong Energy Limited Company ("Diandong Energy")	Non-related Party	246,120,000	Within one year	14.96%
Huaneng Ruijin Power Generation Co., Ltd. ("Ruijin Power")	A subsidiary of Huaneng Group	194,008,690	Within one year	11.79%
Yunnan Diandong Yuwang Energy Limited Company ("Yuwang Energy")	Non-related Party	97,320,000	Within one year	5.92%
Shanghai Electricity Power Company	Non-related Party	45,227,967	1-2 years	2.75%
Gansu Electricity Power Company	Non-related Party	45,000,000	1-2 years	2.74%
		627,676,657		38.16%

(g) Other receivables from related parties are as follows:

	Relationship	31 December 2010 Amount	31 December 2010 Percentage	31 December 2010 Provision	31 December 2009 Amount	31 December 2009 Percentage	31 December 2009 Provision
HPIDC	The parent company	–	–	–	119,589,978	9.79%	–
Huaneng Energy and Communications Holdings Co., Ltd. ("HEC") and its subsidiaries	Subsidiaries of Huaneng Group	283,542	0.02%	–	–	–	–
Shandong Rizhao Power Company Ltd. ("Rizhao Power Company")	An associate of the Company	19,118,470	1.16%	–	–	–	–
Alltrust Property Insurance Co., Ltd. ("Alltrust Insurance")	A subsidiary of Huaneng Group	3,394,066	0.21%	–	–	–	–
Huaneng Suzhou Thermoelectric Power Company Ltd. ("Suzhou Power")	A subsidiary of Huaneng Group	244,816	0.01%	–	–	–	–
Huaneng Tibet Power Generation Co., Ltd. ("Tibet Power")	A subsidiary of Huaneng Group	876,631	0.05%	–	–	–	–
Ruijin Power	A subsidiary of Huaneng Development	194,008,690	11.79%	–	–	–	–
Huaneng Wuhan Power Co., Ltd. ("Wuhan Power")	A subsidiary of Huaneng Group	17,650,205	1.07%	–	–	–	–
		235,576,420	14.31%	–	119,589,978	9.79%	–

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

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

(5) Other receivables *(Cont'd)*

(h) Other receivables balances by currency are as follows:

	31 December 2010			31 December 2009		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	1,537,726,683	1	1,537,726,683	1,147,517,735	1	1,147,517,735
SGD	10,501,805	5.1191	53,759,790	15,254,320	4.8605	74,143,623
USD	8,125,394	6.6227	53,490,792	59,367	6.8282	403,109
Total			1,644,977,265			1,222,064,467

(6) Advances to suppliers

(a) The ageing analysis of advances to suppliers is as follows:

	31 December 2010		31 December 2009	
Ageing	Amount	Percentage	Amount	Percentage
Within one year	1,189,553,596	96.82%	580,884,979	56.72%
1-2 years	22,686,535	1.85%	425,453,081	41.54%
2-3 years	360,436	0.03%	143,185	0.01%
Over 3 years	15,914,851	1.30%	17,735,867	1.73%
	1,228,515,418	100.00%	1,024,217,112	100.00%

As at 31 December 2010, advances to suppliers aged over one year of the Company and its subsidiaries were mainly prepayments for equipment. Because the construction of equipment had not been completed, this amount has not been settled.

(b) As at 31 December 2010, the five largest advances to suppliers of the Company and its subsidiaries are as follows:

	Relationship	Amount	Percentage	Prepaid Time	Reasons for unsettlement
Yangquan Tiancheng Coal Railway Transportation Co., Ltd.	Non-related party	121,374,308	9.88%	Within one year	Prepayments for coal
Shanxi Guoyang Xinneng Tianyuan Coal Sales Co., Ltd.	Non-related party	111,351,645	9.06%	Within one year	Prepayments for coal
Datong Coal Mine Group	Non-related party	88,398,147	7.20%	Within one year	Prepayments for coal
Rizhao Power Company	An associate of the Company	73,368,050	5.97%	Within one year	Prepayments for coal
Shanxi Coking Coal Group Co., Ltd.	Non-related party	62,047,925	5.05%	Within one year	Prepayments for coal
		456,540,075	37.16%		

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

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

(6) Advances to suppliers *(Cont'd)*

(c) As at 31 December 2010, there were no advances to suppliers who held 5% or more of the equity interest in the Company (31 December 2009: Nil).

(d) Prepayments to the related parties are as follows:

		31 December 2010			31 December 2009		
	Relationship	Amount	Percentage	Provision	Amount	Percentage	Provision
HEC and its subsidiaries	Subsidiaries of Huaneng Group	–	–	–	22,164,993	2.16%	–
Xi'an Thermal Power Research Institute Co., Ltd. ("Xi'an Thermal") and its subsidiaries	Subsidiaries of Huaneng Group	2,247,750	0.18%	–	173,103	0.02%	–
Rizhao Power Company	An associate of the Company	73,368,050	5.97%	–	37,711,719	3.68%	–
		75,615,800	6.15%	–	60,049,815	5.86%	–

(e) Advances to suppliers balances by currency are as follows:

	31 December 2010			31 December 2009		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	1,148,002,568	1	1,148,002,568	1,015,674,982	1	1,015,674,982
SGD	15,727,931	5.1191	80,512,850	1,757,459	4.8605	8,542,130
Total			1,228,515,418			1,024,217,112

(7) Inventories

(a) The categories of Inventories are as follows:

	31 December 2010			31 December 2009		
	Book value	Provision	Net book value	Book value	Provision	Net book value
Fuel (coal and oil)	4,024,586,473	–	4,024,586,473	2,986,232,942	–	2,986,232,942
Materials and spare parts	1,360,336,304	(194,487,621)	1,165,848,683	1,286,565,521	(188,812,870)	1,097,752,651
	5,384,922,777	(194,487,621)	5,190,435,156	4,272,798,463	(188,812,870)	4,083,985,593

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

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

(7) Inventories *(Cont'd)*

(b) The analysis of provision for inventory is as follows:

	31 December 2009	Current year additions	Current year deductions		Currency translation differences	31 December 2010
			Reversal	Write off		
Materials and spare parts	188,812,870	—	(154,572)	(410,586)	6,239,909	**194,487,621**

(c) The status of provision for inventory is as follows:

	The basis of provision for inventory	The reasons for the reversal of the provision for inventory	The percentage of reversal amount over the ending balance of such inventory
Materials and spare parts	The excess of book value over net realizable value	Increase of net realizable value of the materials and spare parts which had impairment provisions in previous years	0.01%

(8) Available-for-sale financial assets

	31 December 2010	31 December 2009
Available-for-sale equity instrument	**1,949,727,308**	2,293,998,840

Available-for-sale financial assets represent the equity investment in China Yangtze Power Co., Ltd. ("Yangtze Power"). As at 31 December 2010, the Company had approximately 257.56 million shares of Yangtze Power, representing 1.56% (31 December 2009: approximately 171.71 million shares, 1.56%) of its total share capital. The fair value of the above available-for-sale equity instrument as at 31 December 2010 was determined based on the closing market price of RMB7.57 per share quoted in the Shanghai Stock Exchange on the last trading day of 2010 (31 December 2009: the closing market price of Yangtze Power was RMB13.36 per share quoted in the Shanghai Stock Exchange on the last trading day of 2009).

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

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

(9) Long-term receivables

As at 31 December 2010, long-term receivables of the Company and its subsidiaries primarily represent long-term receivables from finance lease out of fixed assets and construction-in-progress (Note 5(11), 5(12)).

(10) Long-term equity investments

	31 December 2010	31 December 2009
A Jointly controlled entity (a)	**1,058,000,000**	—
Associates (a)		
— With no quoted prices	**10,648,718,644**	9,286,696,309
Other long-term equity investments	**282,002,933**	269,890,133
	11,988,721,577	9,556,586,442
Less: impairment provision for long-term equity investments	**(6,088,243)**	(6,088,243)
	11,982,633,334	9,550,498,199

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)

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

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

(a) Jointly controlled entities and associates

	Accounting method	Initial investment cost	31 December 2009	Increase or decrease during the year: Additions or deductions	Increase or decrease during the year: Net profit or loss adjusted by the equity method	Increase or decrease during the year: Dividends declared	Increase or decrease during the year: Other equity movement	31 December 2010	Percentage of equity interest	Percentage of voting right	Provision	Provision for the year
Jointly controlled entity												
Shanghai Time Shipping Co., Ltd. ("Time Shipping*")	Equity method	1,058,000,000	–	1,058,000,000	–	–	–	**1,058,000,000**	50%	50%	–	–
Associates												
Rizhao Power Company	Equity method	561,502,261	417,584,283	–	(60,484,737)	–	–	**357,099,546**	44%	44%	–	–
Shenzhen Energy Group Co., Ltd. ("SEG")	Equity method	2,269,785,209	3,547,097,074	–	218,388,058	–	(3,387,500)	**3,762,097,632**	25%	25%	–	–
Hebei Hanfeng Power Generation Limited Liability Company ("Hanfeng Power Company")	Equity method	1,382,210,557	1,172,796,322	–	(61,544,406)	–	–	**1,111,251,916**	40%	40%	–	–
Chongqing Huaneng Lime Company Limited ("Lime Company") **	Equity method	24,295,710	27,713,601	–	2,013,313	(1,460,000)	–	**28,266,914**	15%	25%	–	–
China Huaneng Finance Corporation Ltd. ("Huaneng Finance")	Equity method	440,634,130	570,917,025	–	66,240,899	(70,994,212)	(5,950,250)	**560,213,462**	20%	20%	–	–
Huaneng Sichuan Hydropower Co., Ltd. ("Sichuan Hydropower Company")	Equity method	1,461,457,497	1,199,452,729	240,200,000	273,813,997	(119,173,232)	(2,834,356)	**1,591,459,138**	49%	49%	–	–
Shenzhen Energy Corporation ("SEC")*	Equity method	1,448,200,000	1,687,581,135	–	120,859,756	(60,000,000)	(23,655,623)	**1,724,785,268**	9.08%	9.08%	–	–

* The Company acquired 50% equity of Time Shipping with consideration of RMB1.058 billion from HEC in December 2010, and no investment income was recognized during the year.

** Lime Company is the associate of Luohuang Power Company (one of the subsidiary of the Company).

** The Company holds 200 million shares, representing 9.08% shareholding of SEC, which is also the subsidiary of SEG, one of the Company's associates. Considered the equity interest effectively held by the Company directly and indirectly through SEG, and directors as well as supervisors appointed by the Company in SEC, the Company exercises significant influence on operations of SEC 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.

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

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

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

(a) Jointly controlled entities and associates *(Cont'd)*

				Increase or decrease during the year								
	Accounting method	Initial investment cost	31 December 2009	Additions or deductions	Net profit or loss adjusted by the equity method	Dividends declared	Other equity movement	31 December 2010	Percentage of equity interest	Percentage of voting right	Provision	Provision for the year
Associates *(Cont'd)*												
Yangquan Coal Industry Group Huaneng Coal-fired Electricity Investment Co, Ltd ("Yangmei Huaneng Company")	Equity method	490,000,000	458,054,140	–	24,076,952	–	12,319,472	**494,450,564**	49%	49%	–	–
Huaneng Shidaowan Nuclear Power Development Co, Ltd. ("Shidaowan Nuclear Power")	Equity method	300,000,000	150,000,000	150,000,000	–	–	–	**300,000,000**	30%	30%	–	–
Bianhai Railway Co, Ltd. ("Bianhai Railway")	Equity method	143,930,000	55,500,000	88,430,000	–	–	–	**143,930,000**	37%	37%	–	–
Zuoquan Longquan Metallurgy Casting Co, Ltd. ("Longquan Metallurgy Casting")	Equity method	357,000,000	–	357,000,000	(11,314,117)	–	478,321	**346,164,204**	34%	34%	–	–
Huaneng Shenbei Cogeneration Co, Ltd. ("Shenbei Co-generation")	Equity method	13,000,000	–	13,000,000	–	–	–	**13,000,000**	40%	40%	–	–
Hainan Nuclear Power Co, Ltd. ("Hainan Nuclear Power")	Equity method	216,000,000	–	216,000,000	–	–	–	**216,000,000**	30%	30%	–	–
			9,286,696,309	1,064,630,000	572,049,715	(251,627,444)	(23,029,936)	**10,648,718,644**				

As at 31 December 2010, total net assets of jointly controlled entity amounted to RMB2,079,352,757 (31 December 2009: Nil).

Total net assets of the above-specified associates of the Company and its subsidiaries amounted to RMB33,459,166,913 (31 December 2009: RMB29,629,948,110). Total revenue and total profit attributable to shareholders of the associates are RMB22,932,949,324 and RMB1,545,521,197 respectively (2009: RMB20,108,958,126 and RMB2,048,553,885).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

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

(11) Fixed assets

	31 December 2009	Reclassification	Additions from acquisition	Current year additions	Current year deductions	Currency translation differences	**31 December 2010**
Total of original cost	190,909,761,951	–	1,845,170,656	23,614,195,178	(837,044,749)	680,233,842	**216,212,316,878**
Ports facilities	1,315,393,029	–	–	–	–	–	**1,315,393,029**
Buildings	3,407,335,917	123,278,795	368,426,557	101,319,702	(10,163,853)	–	**3,990,197,118**
Electric utility plant in service	182,096,771,031	(83,145,234)	1,073,222,976	23,158,844,283	(704,849,064)	664,755,730	**206,205,599,722**
Transportation facilities	305,333,508	16,120	395,580,519	2,577,324	–	–	**703,507,471**
Others	3,784,928,466	(40,149,681)	7,940,604	351,453,869	(122,031,832)	15,478,112	**3,997,619,538**
Total of accumulated depreciation	77,743,503,728	–	501,715,400	10,189,465,124	(696,219,608)	213,897,074	**87,952,361,718**
Ports facilities	37,411,164	–	–	37,411,164	–	–	**74,822,328**
Buildings	1,247,040,415	9,759,707	102,199,371	133,658,961	(5,286,735)	–	**1,487,371,719**
Electric utility plant in service	74,123,627,800	25,295,350	278,722,653	9,750,794,797	(572,177,760)	203,063,185	**83,809,326,025**
Transportation facilities	214,762,971	16,120	117,349,911	15,638,353	–	–	**347,767,355**
Others	2,120,661,378	(35,071,177)	3,443,465	251,961,849	(118,755,113)	10,833,889	**2,233,074,291**
Total of book value	113,166,258,223	——	——	——	——	——	**128,259,955,160**
Ports facilities	1,277,981,865	——	——	——	——	——	**1,240,570,701**
Buildings	2,160,295,502	——	——	——	——	——	**2,502,825,399**
Electric utility plant in service	107,973,143,231	——	——	——	——	——	**122,396,273,697**
Transportation facilities	90,570,537	——	——	——	——	——	**355,740,116**
Others	1,664,267,088	——	——	——	——	——	**1,764,545,247**
Total of provision	4,397,563,046	–	–	8,477,084	–	200,468,346	**4,606,508,476**
Ports facilities	–	–	–	–	–	–	**–**
Buildings	–	–	–	–	–	–	**–**
Electric utility plant in service	4,397,563,046	–	–	8,477,084	–	200,468,346	**4,606,508,476**
Transportation facilities	–	–	–	–	–	–	**–**
Others	–	–	–	–	–	–	**–**
Total of net book Value	108,768,695,177	——	——	——	——	——	**123,653,446,684**
Ports facilities	1,277,981,865	——	——	——	——	——	**1,240,570,701**
Buildings	2,160,295,502	——	——	——	——	——	**2,502,825,399**
Electric utility plant in service	103,575,580,185	——	——	——	——	——	**117,789,765,221**
Transportation facilities	90,570,537	——	——	——	——	——	**355,740,116**
Others	1,664,267,088	——	——	——	——	——	**1,764,545,247**

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

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

(11) Fixed assets *(Cont'd)*

For the year ended 31 December 2010, depreciation charge amounted to RMB10,189,465,124 (2009: RMB9,109,076,527), in which depreciation charged to operations cost, general and administrative expenses and other operating expense amounted to RMB10,124,197,068, RMB24,808,880 and RMB26,221,977, respectively, (2009: depreciation charged to operations cost, and general and administrative expenses amounted to RMB9,083,796,085, RMB17,618,659, respectively).

The cost transferred from construction-in-progress was RMB23,198,015,732 (2009: RMB20,150,227,906).

In 2010, net book value included in the disposal of assets of the Company and its subsidiaries was RMB53,344,729 (original cost of RMB87,637,969) relating to a finance lease arrangement.

Temporarily idle assets

As at 31 December 2010, the electric utility plant in service with the book value amounted to approximately RMB225,230 (original cost of RMB809,110) (31 December 2009: book value of RMB286,225 and original cost of RMB809,110) was temporarily idle. The analysis is as follows:

	Cost	Accumulated depreciation	Provision	Net book value
Electric utility plant in service	809,110	(583,880)	—	225,230

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

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

(12) Construction-in-progress

Project	Budget	31 December 2009	Additions from acquisition	Current year acquisition	Transfers to fixed assets during current year	Finance lease out	Currency translation differences	31 December 2010	Percentage of capital expenditure incurred over budget	Accumulated capitalized borrowing cost	Including: current year capitalized borrowing cost	Interest rate of borrowing cost capitalization during current year
Fuzhou Power Plant Phase III project	5,406,450,000	1,684,477,663	–	2,620,002,252	(2,435,354,040)	–	–	**1,869,125,875**	80%	342,678,806	138,241,996	6.22%
Huaneng Haimen Power Plant project	7,150,830,000	595,581,443	–	2,509,496,859	–	–	–	**3,105,078,302**	50%	92,559,814	79,783,674	4.74%
Jinggangshan Power Plant Expansion project	4,500,310,000	1,644,438,295	–	415,114,538	(1,751,460,450)	–	–	**308,092,383**	95%	–	–	–
Weihai Power Company Phase III Expansion project	5,448,150,000	1,869,790,749	–	2,574,447,074	(2,888,754,585)	–	–	**1,555,483,238**	99%	109,298,123	146,347,705	4.75%
Qinbei Power Expansion project	7,552,480,000	690,098,760	–	2,359,001,925	(1,571,848)	–	–	**3,047,528,837**	44%	180,588,237	133,218,747	5.15%
Pingliang Phase II project	4,331,260,000	2,909,929,141	–	586,682,464	(3,496,611,605)	–	–	**–**	100%	–	32,272,738	4.65%
Yueyang Power Company Phase III project	4,856,720,823	860,521,161	–	2,648,975,022	(408,424)	–	–	**3,509,087,759**	80%	221,582,314	108,561,569	4.69%
Jinling Power Company project	8,933,700,000	5,451,200,502	–	1,337,620,660	(3,323,306,927)	–	–	**3,465,514,235**	83%	443,336,887	114,987,879	5.29%
Beijing Cogeneration Phase II project	3,196,710,000	28,209,105	–	244,430,254	–	–	–	**272,639,359**	9%	15,849,703	12,696,836	4.65%
Shidongkou Power Company Project	5,925,000,000	4,251,183,582	–	674,608,283	(4,832,460,082)	–	–	**93,331,783**	99%	139,117,089	–	–
Zuoquan Coal-fired Power Company Phase I project	5,103,840,000	60,163,146	–	957,014,158	–	–	–	**1,017,177,304**	20%	16,302,081	16,302,081	4.86%
Jiuquan Wind Power Qiaowan 2nd Plant	2,047,228,700	–	–	740,300,430	–	–	–	**740,300,430**	36%	–	–	–
Jiuquan Wind Power Qiaowan Sanbei Plant	1,049,797,900	–	–	396,798,828	–	–	–	**396,798,828**	38%	–	–	–
Jiuquan Wind Power Ganhekou 2nd Plant	2,037,353,600	–	–	989,018,912	–	–	–	**989,018,912**	49%	–	–	–
Kangbao Wind Power Phase I project	355,610,000	–	–	331,772,419	–	–	–	**331,772,419**	93%	3,744,272	3,744,272	4.87%
SinoSing Power Tembusu Phase I project	SGD537,000,000	–	–	501,896,439	–	–	14,869,734	**516,766,173**	19%	–	–	–
SinoSing Power CCP5 project	SGD410,000,000	–	–	198,493,377	–	–	5,880,782	**204,374,159**	10%	–	–	–
SinoSing Power Neste Oil project	SGD110,280,000	333,285,593	–	144,402,591	(72,415,460)	(412,904,590)	7,631,866	**–**	100%	–	–	–
Wafangdian Wind Power project	471,726,300	–	–	221,994,359	–	–	–	**221,994,359**	47%	692,009	692,009	4.41%
Qingdao Port project	855,300,000	–	571,682,456	19,798,829	–	–	–	**591,481,285**	69%	13,383,906	399,125	5.45%
Other projects		3,258,110,999	338,726,253	4,805,863,616	(4,395,672,311)	–	469,330	**4,007,497,887**		89,026,025	27,268,403	
		23,636,990,139	910,408,709	25,277,733,289	(23,198,015,732)	(412,904,590)	28,851,712	**26,243,063,527**		1,668,159,266	814,517,034	

Source of financing of all projects above are funds borrowed from financial institutions and internal funds.

In 2010, included in the disposal of CIP was RMB412,904,590 relating to a finance lease arrangement.

As at 31 December 2010 and 31 December 2009, 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.

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

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

(13) Construction materials

	31 December 2009	Additions from acquisition	Current year additions	Current year deductions	31 December 2010
Specialised materials and equipment	2,591,631,193	—	14,442,063,164	(15,393,412,249)	**1,640,282,108**
Prepayments for major equipment	6,159,350,214	10,584,000	4,053,009,989	(5,860,805,696)	**4,362,138,507**
Tools and spare parts	13,892,583	—	50,474,754	(51,808,345)	**12,558,992**
	8,764,873,990	10,584,000	18,545,547,907	(21,306,026,290)	**6,014,979,607**

(14) Intangible assets

	31 December 2009	Additions from acquisition	Current year additions	Current year deductions	Currency translation differences	31 December 2010
Total of original cost	8,155,050,638	282,725,406	64,822,487	(360,456)	263,136,110	**8,765,374,185**
Land use rights	3,888,825,765	282,555,476	28,555,833	(360,456)	52,027,910	**4,251,604,528**
Power generation licence	3,898,121,000	—	—	—	207,397,200	**4,105,518,200**
Others	368,103,873	169,930	36,266,654	—	3,711,000	**408,251,457**
Total of accumulated amortization	846,582,837	8,998,979	129,934,414	(39,711)	13,849,865	**999,326,384**
Land use rights	782,196,715	8,964,993	91,250,380	(39,711)	13,298,439	**895,670,816**
Power generation licence	—	—	—	—	—	**—**
Others	64,386,122	33,986	38,684,034	—	551,426	**103,655,568**
Total of book value	7,308,467,801	——	——	——	——	**7,766,047,801**
Land use rights	3,106,629,050	——	——	——	——	**3,355,933,712**
Power generation licence	3,898,121,000	——	——	——	——	**4,105,518,200**
Others	303,717,751	——	——	——	——	**304,595,889**
Total of impairment provision	222,580,337	—	23,705,542	—	12,544,580	**258,830,459**
Land use rights	222,580,337	—	—	—	11,842,254	**234,422,591**
Power generation licence	—	—	—	—	—	**—**
Others	—	—	23,705,542	—	702,326	**24,407,868**
Total of net book value	7,085,887,464	——	——	——	——	**7,507,217,342**
Land use rights	2,884,048,713	——	——	——	——	**3,121,511,121**
Power generation licence	3,898,121,000	——	——	——	——	**4,105,518,200**
Others	303,717,751	——	——	——	——	**280,188,021**

For the year ended 31 December 2010, amortization of intangible assets amounted to RMB129,934,414 (2009: RMB108,168,535).

As at 31 December 2010, land use right of Qingdao Port, a subsidiary of the Company amounting to approximately RMB28,306,601 (2009: Nil) was secured to a bank as collateral against a long-term loan of RMB30 million (2009: Nil) (Note 5(27)(b)).

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

(14) Intangible assets *(Cont'd)*

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 of Tuas Power. The recoverable amount of the assets group is determined based on value-in-use calculation. Management has based its assessment of recoverable amount on value-in-use calculations which includes post-tax cash flow projections of the assets group in Singapore electricity market in the following 19 years, together with an appropriate terminal value. The period of cash flows beyond 5 years was considered reasonable in the circumstances given that it approximates the useful lives of the underlying operating assets.

Key assumptions used for value-in-use calculation:

Management has assessed that, amongst all assumptions used in the value-in-use calculations, the most sensitive key assumption is the discount rate which was arrived at based on weighted average cost of capital. The discount rate applied in determining the recoverable amounts of the assets group or group of assets was 6.85% (2009: 6.92%). An absolute change in the discount rate of 0.5% (2009: 0.5%) would result in approximately RMB1,520 million (2009: RMB1,531 million) change in the recoverable amount of the assets group or group of assets.

Other key assumptions include projection of its business performance based on estimation of future electricity tariffs, volume of electricity sold, fuel prices and other operating expenses, which are largely based on advices from the financial advisor engaged and an external study conducted by industry specialist to project the market demand and supply situation, as well as forward trend of electricity prices. On average, the growth and inflation rate of 2.5% and 2.7% respectively was used in consideration of future expansion plans and new development projects as part of the long term strategy. The growth rate used did not exceed the long term average growth rate for the Singapore market.

Based on the assessments, no impairment was provided for power generation licence.

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

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

(15) Goodwill

	31 December 2009	Additions from acquisition	Current year additions	Currency translation differences	31 December 2010
Goodwill	11,040,072,329	467,979,626	—	575,400,776	**12,083,452,731**
Less: impairment provision (a)	(127,913,041)	—	—	—	**(127,913,041)**
	10,912,159,288	467,979,626	—	575,400,776	**11,955,539,690**

As at 31 December 2010, goodwill of the Company and its subsidiaries was primarily from the acquisitions of subsidiaries under business combinations not under common control (Note 4(3)).

(a) Impairment

Goodwill is allocated to the assets group of the Company and its subsidiaries identified according to their operations in different regions.

The carrying amount of significant portion of goodwill was as follow:

	2010	2009
Tuas Power	**11,478,473,505**	10,903,072,729

The recoverable amount of assets group are determined based on value-in-use calculations. For domestic Assets group, these calculations use 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 has based its assessment of recoverable amount on value-in-use calculations which includes cash flow projections of Tuas Power in Singapore electricity market in the following 19 years, together with an appropriate terminal value. The period of cash flows beyond 5 years was considered reasonable in the circumstances given that it approximates the useful lives of the underlying operating assets. On average, the growth and inflation rate of 2.5% and 2.7% respectively was used in consideration of future expansion plans and new development projects as part of the long term strategy. The growth rate used did not exceed the long term average growth rate for the Singapore market. The discount rate used for value-in-use calculations is 6.85%.

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

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

(15) Goodwill *(Cont'd)*

(a) Impairment *(Cont'd)*

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 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.

No goodwill was impaired in 2010 and 2009.

(16) Deferred income tax assets and liabilities

(a) Deferred income tax assets before offsetting

	31 December 2010		31 December 2009	
	Amount	**Deductible temporary difference and deductible losses**	Amount	Deductible temporary difference and deductible losses
Provision for assets impairment	**210,996,174**	**874,084,871**	210,144,068	1,001,772,180
Fixed assets depreciation	**65,143,125**	**266,134,974**	57,598,876	237,529,805
Accrued expenses	**158,587,538**	**638,005,944**	85,911,416	351,149,228
Tax refund on purchase of domestically-manufactured equipment	**352,474,786**	**1,456,385,671**	346,370,083	1,455,789,864
Deductible tax losses	**167,303,994**	**674,028,294**	154,348,353	627,088,136
Derivative financial instruments-fair value change	**20,539,561**	**82,158,243**	—	—
Others	**193,074,389**	**684,336,861**	147,224,149	616,120,243
	1,168,119,567	**4,675,134,858**	1,001,596,945	4,289,449,456

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

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

(16) Deferred income tax assets and liabilities *(Cont'd)*

(b) Deferred income tax liabilities before offsetting

	31 December 2010 Amount	31 December 2010 Taxable temporary difference	31 December 2009 Amount	31 December 2009 Taxable temporary difference
Fixed assets depreciation	**810,999,510**	**4,638,327,691**	681,280,528	4,000,735,213
Intangible assets	**788,718,142**	**4,573,670,928**	720,929,482	4,240,761,662
Available-for-sale-fair value change	**259,542,315**	**1,038,169,256**	345,610,197	1,382,440,788
Derivative financial instruments-fair value change	**20,574,705**	**121,027,678**	28,290,182	147,784,186
Others	**26,818,215**	**93,929,491**	64,315,743	252,312,886
	1,906,652,887	**10,465,125,044**	1,840,426,132	10,024,034,735

(c) As at 31 December 2010, deductible tax losses of the Company and its subsidiaries with no deferred income tax assets recognized amounted to RMB2,294,483,309 (31 December 2009: RMB1,194,513,180).

(d) Maturity analysis of the above deductible tax losses with no deferred income tax assets recognized are as follows:

	31 December 2010	31 December 2009
2012	**2,432,119**	2,432,119
2013	**823,244,908**	710,974,425
2014	**513,993,693**	481,106,636
2015	**954,812,589**	—
	2,294,483,309	1,194,513,180

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

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

(16) Deferred income tax assets and liabilities *(Cont'd)*

(e) The offset amounts of deferred income tax assets and deferred income tax liabilities:

	31 December 2010	31 December 2009
Deferred income tax assets	**300,936,724**	453,932,640
Deferred income tax liabilities	**(300,936,724)**	(453,932,640)

The net balance of deferred income tax assets and deferred income tax liabilities after offsetting are as follows:

	31 December 2010		31 December 2009	
	Net balance	**Deductible/ Taxable temporary difference after offsetting**	Net balance	Deductible/ Taxable temporary difference after offsetting
Deferred income tax assets	**867,182,843**	**3,436,980,341**	547,664,305	2,401,041,223
Deferred income tax liabilities	**1,605,716,163**	**9,239,646,136**	1,386,493,492	8,135,626,502

(17) Provision for assets impairment

	31 December 2009	**Current year additions**	**Current year deductions**		**Currency translation differences**	**31 December 2010**
			Reversal	**Write off**		
Provision for doubtful debts	194,298,399	5,456,680	(4,809,475)	(3,594)	1,324,220	**196,266,230**
Including: Provision for doubtful accounts receivable	155,639,871	—	(2,769,971)	(3,594)	1,324,220	**154,190,526**
Provision for doubtful other receivables	38,658,528	5,456,680	(2,039,504)	—	—	**42,075,704**
Provision for inventory	188,812,870	—	(154,572)	(410,586)	6,239,909	**194,487,621**
Impairment provision for long-term equity investments	6,088,243	—	—	—	—	**6,088,243**
Impairment provision for fixed assets	4,397,563,046	8,477,084	—	—	200,468,346	**4,606,508,476**
Impairment provision for intangible assets	222,580,337	23,705,542	—	—	12,544,580	**258,830,459**
Impairment provision for goodwill	127,913,041	—	—	—	—	**127,913,041**
	5,137,255,936	37,639,306	(4,964,047)	(414,180)	220,577,055	**5,390,094,070**

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

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

(18) Short-term loans

		31 December 2010			31 December 2009		
		Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
Credit loans	— RMB	40,649,000,000	1	40,649,000,000	23,885,000,000	1	23,885,000,000
	— SGD	—	—	—	1,000,000	4.8605	4,860,500
Guaranteed loans (a)							
— Pledge	— RMB	1,389,449,751	1	1,389,449,751	698,361,762	1	698,361,762
— Guarantee	— RMB	1,998,734,247	1	1,998,734,247	—	—	—
— Discounted notes	— RMB	10,000,000	1	10,000,000	141,593,857	1	141,593,857
Total				44,047,183,998			24,729,816,119

(a) As at 31 December 2010, the guaranteed short-term loans include:

Bank loans of RMB10,000,000 (31 December 2009: RMB141,593,857) represented the discounted notes receivable with recourse. As these notes receivable were yet to be mature, the proceeds received were recorded as short-term loans (Note 5(3)).

As at 31 December 2010, pledged bank loans of RMB1,389,449,751 were secured by accounts receivable of the Company with book value amounting to RMB1,513,050,207 (31 December 2009: pledged bank loans of RMB698,361,762 were secured by accounts receivable of the Company with book value amounting to RMB1,031,926,931) (Note 5 (4)).

As at 31 December 2010, bank loan of RMB1,998,734,247 from China National Petroleum Corporation through Kunlun Bank with interest rate of 4% per annual was secured by Beijing Branch of Industrial and Commercial Bank of China (31 December 2009: Nil).

As at 31 December 2010, short-term loans of RMB605,000,000 were borrowed from Huaneng Finance, with annual interest rates 4.78% in 2010 (31 December 2009: RMB100,000,000 with annual interest rates ranging from 4.78% to 6.72% in 2009) (see Note 7 (5)) .

As at 31 December 2010, short-term loans of RMB3,180,000,000 were borrowed from Huaneng Guicheng Trust Co., Ltd. ("Huaneng Guicheng Trust"), with annual interest rates ranging from 4.35% to 4.94% in 2010 (31 December 2009: Nil) (Note 7 (5)) .

In 2010, annual interest rates of RMB credit loans ranged from 3.79% to 5.72% (2009: 3.79% to 7.47%); annual interest rates of SGD credit loans ranged from 1.80% to 1.84% (2009: 1.81% to 2.10%); annual interest rate of pledged short-term RMB loans ranged from 3.89% to 4.13% (2009: 3.89% to 4.54%), annual interest rate of guaranteed loan was 4% (2009: Nil); and annual interest rates of discounted notes loans ranged from 2.40% to 5.04% (2009: 2.28% to 5.70%).

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

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

(19) Notes payable

	31 December 2010	31 December 2009
Banking notes payable	40,351,966	71,475,000
Commercial notes payable	35,000,000	—
	75,351,966	71,475,000

As at 31 December 2010, banking notes receivable of RMB10 million was secured as collateral against notes payables of RMB7,243,500 (31 December 2009: Nil) (Note 5(3)).

As at 31 December 2010 and 31 December 2009, all the notes payable of the Company and its subsidiaries were expected to be due within one year).

(20) Accounts payable

Accounts payable mainly represents the amounts due to coal suppliers. As at 31 December 2010 and 31 December 2009, 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 due to related parties:

	31 December 2010	31 December 2009
HEC and its subsidiaries	71,345,774	64,409,086
Xi'an Thermal and its subsidiaries	6,340,736	5,063,900
Inner Mongolia Power Fuel Company ("Inner Mongolia Power")	10,302,329	—
Time Shipping	109,877,034	179,426,843
Huaneng Hulunbeier Energy Development Company Ltd. ("Hulunbeier Energy")	46,998,894	—
Huaneng Gansu Huating Coal and Power Co., Ltd. ("Huating Coal")	301,422,655	—
Lime Company	11,662,564	3,296,123
	557,949,986	252,195,952

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

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

(20) Accounts payable *(Cont'd)*

Accounts payable balances by currency are as follows:

	31 December 2010			31 December 2009		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	4,614,624,003	1	4,614,624,003	3,581,798,935	1	3,581,798,935
SGD	42,656,790	5.1191	218,364,374	43,786,990	4.8605	212,826,665
USD	76,709,143	6.6227	506,804,095	75,767,161	6.8282	520,360,260
Total			5,339,792,472			4,314,985,860

(21) Salary and welfare payables

	31 December 2009	Additions from acquisition	Current year additions	Current year deductions	Currency translation differences	31 December 2010
Salary, bonus, allowance and subsidy	91,275,225	—	2,697,473,171	(2,685,771,282)	2,488,651	105,465,765
Welfare, award and welfare fund	107,721,825	1,963,406	313,857,718	(336,019,607)	—	87,523,342
Social insurance	8,971,440	424,953	830,547,197	(835,289,609)	143,526	4,797,507
Including: Medical insurance	5,596,103	64,079	256,914,229	(261,710,121)	—	864,290
Basic pension insurance	93,149	215,740	393,824,047	(393,646,112)	—	486,824
Supplementary pension insurance	—	86,831	116,183,105	(116,162,165)	—	107,771
Unemployment insurance	88,510	36,236	25,029,972	(25,098,999)	—	55,719
Industrial injury insurance	1,266	11,614	12,563,043	(12,546,608)	—	29,315
Childbirth insurance	—	10,453	10,040,928	(10,028,146)	—	23,235
Singapore central provident funds	2,460,098	—	11,975,744	(12,058,177)	128,446	2,506,111
Housing fund	23,780,482	88,639	360,095,603	(369,540,939)	—	14,423,785
Labor union fee and employee education fee	18,408,050	4,644,858	109,698,435	(107,108,507)	—	25,642,836
Employment termination benefits	40,370,357	—	5,252,042	(12,414,014)	—	33,208,385
	290,527,379	7,121,856	4,316,924,166	(4,346,143,958)	2,632,177	271,061,620

As at 31 December 2010, none of the balance of salary and welfare payable is overdue. All the balances are to be distributed by the end of 2011, except for those can only be used in compliance with relevant requirement.

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

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

(22) Taxes payable

The detailed breakdown of taxes payable is as follows:

	31 December 2010	31 December 2009
EIT payable	280,917,052	292,509,304
Deductible VAT payable	(2,427,947,144)	(1,957,516,135)
Others	129,682,853	120,869,063
	(2,017,347,239)	(1,544,137,768)

(23) Dividends payable

	31 December 2010	31 December 2009
Gemeng International Energy Co., Ltd.	20,733,907	20,733,907
Shandong Guangyu Energy Co., Ltd.	41,215,066	—
Shangdong Longkou Hualong Industry Co., Ltd.	7,922,680	—
Weihai Zhenghua Investment Management Co., Ltd.	7,922,680	—
Weihai Sea Transportation Co., Ltd.	1,886,353	—
	79,680,686	20,733,907

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

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

(24) Other payables

The breakdown of other payables is as follows:

	31 December 2010	31 December 2009
Payables to contractors	**4,294,740,299**	2,870,314,154
Payables for purchases of equipment	**4,323,906,042**	2,774,184,715
Quality warranty	**1,504,310,853**	932,091,648
Payables for purchases of materials	**277,195,218**	160,818,701
Payables to HIPDC	**33,844,343**	50,799,571
Payables to Huaneng Group	**468,093**	277,798,547
Accrued expenses	**108,211,671**	76,792,477
Construction bonus payables	**53,341,193**	45,811,807
Payables of housing maintenance funds	**38,696,046**	30,857,632
Payables of pollutants discharge fees	**17,198,548**	17,393,055
Payables to Shandong Luneng Development Corporation Co., Ltd. ("Luneng Development")	**277,043,488**	—
Payable for investment	**309,110,505**	—
Payable for port construction charge	**35,443,972**	—
Accrual output VAT on electricity sales	**—**	67,174,816
Selling quota of shut-down capacity	**160,000,000**	170,000,000
Security deposits	**1,386,563**	90,269,806
Others	**802,238,349**	810,302,206
	12,237,135,183	8,374,609,135

As at 31 December 2010, there were no other payables due to shareholders who held 5% or more of the equity interest in the Company except for payables to HIPDC of RMB33,844,343 and payables to Huaneng Group of RMB468,093 (31 December 2009: payable to HIPDC of RMB50,799,571, payable to Huaneng Group of RMB277,798,547) mentioned above.

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

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

(24) Other payables *(Cont'd)*

Other payables to related parties:

	31 December 2010	31 December 2009
Huaneng Group	468,093	277,798,547
HIPDC	33,844,343	50,799,571
Subsidiaries of Huaneng Group	—	277,011,171
HEC and its subsidiaries	22,417,780	47,334,704
Xi'an Thermal and its subsidiaries	75,100,435	60,575,323
Time Shipping	134,855	134,855
Huaneng Group Technology Innovation Center ("Huaneng Group Innovation Center")	5,000,000	41,800,000
Alltrust Insurance	7,305	—
Tibet Power	2,117,704	—
	139,090,515	755,454,171

As at 31 December 2010, other payables aged over 1 year amounting to approximately RMB2,451.53 million (31 December 2009: RMB1,443.52 million) mainly comprised of payables to contractors, equipments and quality warranty which have not been settled for construction cost disputation.

Other payables balances by currency are as follows:

	31 December 2010			31 December 2009		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
RMB	12,029,243,637	1	12,029,243,637	8,115,852,442	1	8,115,852,442
SGD	32,274,720	5.1191	165,217,520	45,472,047	4.8605	221,016,882
USD	854,929	6.6227	5,628,138	697,745	6.8282	4,792,036
JPY	448,521,113	0.0813	36,254,226	443,921,422	0.0738	32,947,775
EUR	57,520	8.8065	503,393	—	—	—
GBP	8,593	10.2182	87,334	—	—	—
AUD	300,000	6.7139	200,935	—	—	—
Total			12,237,135,183			8,374,609,135

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

(25) Current portion of non-current liabilities

All the current portion of non-current liabilities of the Company and its subsidiaries are current portion of long-term loans, the breakdown is as follows:

	31 December 2010	31 December 2009
Guaranteed loans	**1,020,757,803**	843,661,839
Credit loans	**12,761,792,235**	8,406,586,304
	13,782,550,038	9,250,248,143

Five largest current portions of long-term loans:

	Start date	End date	Currency	Annual interest rate (%)	31 December 2009 RMB equivalent
Bank of China (Beijing Branch)	29/12/2008	29/12/2011	RMB	4.86-5.27	**4,400,000,000**
China Rail Transportation Trust Co., Ltd.	03/09/2009	21/09/2011	RMB	4.05-4.39	**2,000,000,000**
China Construction Bank (Beijing Chaoyang Branch)	23/12/2008	22/12/2011	RMB	4.86-5.04	**1,000,000,000**
Industrial and Commercial Bank of China (Zhengzhou District Branch)	25/06/2009	24/06/2011	RMB	4.86	**500,000,000**
The Export-Import Bank of China	18/03/2008	30/09/2011	RMB	1.44-2.94	**417,495,008**
Total					**8,317,495,008**

Please refer to Note 5 (27) for details of current portion of non-current liabilities.

(26) Other current liabilities

Other current liabilities are mainly short-term bonds payable. The Company issued unsecured short-term bonds amounting to RMB5 billion bearing annual interest rate of 3.20% on 2 July 2010. The 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 these bonds is 3.61%. As at 31 December 2010, interest payables for these bonds above amounted to approximately RMB80.22 million.

The Company issued RMB5 billion of unsecured short-term bonds on 24 March 2010. These bonds are denominated in RMB, issued at par and will mature in 270 days from their issue date using the coupon rate of 2.55% and the effective annual interest rate of approximately 3.11%. As at 31 December 2010, the above-mentioned bonds were repaid on time with no interest payable outstanding.

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

(26) Other current liabilities *(Cont'd)*

The Company issued RMB5 billion respectively (total: 10 billion) of unsecured short-term bonds with coupon rate of 1.88% and 2.32% per annum on 24 February 2009 and 9 September 2009. These bonds are denominated in RMB, issued at par and will mature in 365 days and 270 days from their issue date using the effective annual interest rate of approximately 2.29% and 2.87%. As at 31 December 2010, the above-mentioned bonds were repaid on time with no interest payable outstanding (31 December 2009: interest payable on the above-mentioned bonds amounted to approximately RMB116.05 million).

(27) Long-term loans

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

	31 December 2010	31 December 2009
Long-term loans from ultimate parent company (a)	**800,000,000**	800,000,000
Long-term bank loans (b)	**70,884,019,762**	72,052,663,921
Other long-term loans (c)	**7,283,432,778**	7,664,339,102
	78,967,452,540	80,517,003,023
Less: current portion of long-term loans	**(13,782,550,038)**	(9,250,248,143)
	65,184,902,502	71,266,754,880

(a) Long-term loans from ultimate parent company

As at 31 December 2010, detailed information of the long-term loans from ultimate parent company is as follows:

Lender	**31 December 2010**	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	4.05%-4.32%	—	Credit
	800,000,000			—	

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

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

(27) 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 2010					
	Original currency amount	Exchange rate	RMB equivalent	Less: current portion	Long-term portion	Annual interest rate
Credit loans						
— RMB loans	45,847,488,395	1	45,847,488,395	(10,167,428,395)	35,680,060,000	3.51%-5.94%
— USD loans	782,140,925	6.6227	5,179,884,707	(417,495,008)	4,762,389,699	1.44%-6.97%
— EUR loans	44,980,092	8.8065	396,117,177	(46,868,832)	349,248,345	2.00%
Guaranteed loans*						
— RMB loans	2,310,000,000	1	2,310,000,000	(10,946,500)	2,299,053,500	5.00%-5.45%
including: secured loans	30,000,000	1	30,000,000	—	30,000,000	5.45%
— USD loans	159,335,763	6.6227	1,055,232,961	(668,986,959)	386,246,002	0.51%-6.60%
— SGD loans	3,057,689,325	5.1191	15,652,617,425	(286,275,208)	15,366,342,217	2.15%-2.46%
— EUR loans	50,267,314	8.8065	442,679,097	(35,414,328)	407,264,769	2.15%
			70,884,019,762	(11,633,415,230)	59,250,604,532	

* Bank loans amounting to approximately RMB2,552 million and RMB946 million (31 December 2009: approximately RMB3,016 million and RMB1,294 million) were guaranteed by HIPDC and Huaneng Group, respectively (see Note 7).

As at 31 December 2010, bank loans borrowed by an overseas subsidiary of the Company amounting to RMB15.653 billion (31 December 2009: RMB14.942 billion) were guaranteed by the Company (see Note 8).

As at December 2010, a loan amounting to RMB0.31 billion was secured by Shandong Luneng Group (31 December 2009: Nil). In the meantime, RMB30 million of the same loan was secured by land use rights of Qingdao Port, a subsidiary of the Company, amounted to RMB28,306,601 as collateral (31 December 2009: Nil) (Note 5(14)).

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

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

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

(c) Other long-term loans

The breakdown of other long-term loans (including the current portion) is as follows:

	31 December 2010 Original currency amount	Exchange rate	RMB equivalent
RMB loans	7,230,000,000	1	7,230,000,000
USD loans	1,428,571	6.6227	9,460,998
SGD loans	6,700,000	5.1191	34,297,970
JPY loans	119,047,620	0.0813	9,673,810
			7,283,432,778
Less: current portion of other long-term loans			(2,149,134,808)
			5,134,297,970

As at 31 December 2010, the breakdown of other long-term loans is as follows:

Lender	31 December 2010	Terms of Loan	Annual interest rate	Current portion	Terms
RMB loan	7,230,000,000	2008-2012	4.05%-4.86%	(2,130,000,000)	Credit loan
USD loan	9,460,998	1996-2011	0.93%-1.18%	(9,460,998)	Guaranteed by Huaneng Group
SGD loan	34,297,970	2006-2021	4.25%	—	Credit loan
JPY loan	9,673,810	1996-2011	0.66%-0.85%	(9,673,810)	Guaranteed by Huaneng Group
	7,283,432,778			(2,149,134,808)	

As at 31 December 2010, the balance of other long-term loans that drawn from Huaneng Finance amounted to approximately RMB230 million (2009: approximately RMB230 million). As at 31 December 2009, the balance of other long-term loans drawn from Huaneng New Energy Industrial Holding Limited Company ("Huaneng New Energy") amounted to approximately RMB343 million. Such loans were fully repaid during 2010 (Note 7).

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

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

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

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

Five largest long-term loans:

	Start date	End date	Currency	Annual interest rate (%)	31 December 2010 Original currency amount	31 December 2010 RMB equivalent	31 December 2009 Original currency amount	31 December 2009 RMB equivalent
Bank of China (Head Office)	23/09/2009	22/09/2024	SGD	2.15-2.46	**2,617,863,203**	**13,401,103,522**	2,667,067,748	12,963,282,790
The Export-Import Bank of China	18/03/2008	17/03/2023	USD	1.44-2.94	**719,100,925**	**4,762,389,699**	781,408,128	5,335,610,979
China CITIC Bank	22/08/2009	10/09/2012	RMB	4.05-4.20	**—**	**3,000,000,000**	—	3,000,000,000
China Ping'an Trust & Investment Co., Ltd	22/06/2009	05/07/2012	RMB	4.16-4.31	**—**	**3,000,000,000**	—	3,000,000,000
Bank of China (Jiangsu Branch)	10/11/2008	09/11/2023	RMB	5.35	**—**	**2,640,000,000**	—	2,610,000,000
						26,803,493,221		26,908,893,769

Maturity analysis of long-term loans is as follows:

	31 December 2010	31 December 2009
1-2 years	**14,530,147,677**	13,385,806,943
2-5 years	**14,634,114,297**	24,059,712,050
Over 5 years	**36,020,640,528**	33,821,235,887
	65,184,902,502	71,266,754,880

(28) Bonds payable

	31 December 2009	Current year additions	31 December 2010
Phase I Corporate Bonds, 2007 (5 years)	988,078,031	3,888,155	**991,966,186**
Phase I Corporate Bonds, 2007 (7 years)	1,675,798,598	4,478,192	**1,680,276,790**
Phase I Corporate Bonds, 2007 (10 years)	3,247,329,483	5,618,757	**3,252,948,240**
Phase I Corporate Bonds, 2008	3,942,038,367	5,673,127	**3,947,711,494**
Phase I Medium-term Note, 2009	3,946,870,110	11,377,281	**3,958,247,391**
	13,800,114,589	31,035,512	**13,831,150,101**

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

(28) Bonds payable *(Cont'd)*

Bond information is as follows:

	Face value	Issue date	Maturity	Issue amount
Phase I Corporate Bonds, 2007 (5 years)	1,000,000,000	December 2007	5 years	1,000,000,000
Phase I Corporate Bonds, 2007 (7 years)	1,700,000,000	December 2007	7 years	1,700,000,000
Phase I Corporate Bonds, 2007 (10 years)	3,300,000,000	December 2007	10 years	3,300,000,000
Phase I Corporate Bonds, 2008	4,000,000,000	May 2008	10 years	4,000,000,000
Phase I Medium-term Note, 2009	4,000,000,000	May 2009	5 years	4,000,000,000

Interest payable for the bonds is as follow:

	31 December 2009	Accrued interest	Interest paid	31 December 2010
Phase I Corporate Bonds, 2007 (a)	6,789,028	349,150,000	(349,150,000)	**6,789,028**
Phase I Corporate Bonds, 2008 (a)	134,193,548	208,000,000	(208,000,000)	**134,193,548**
Phase I Medium-term Note, 2009 (b)	94,172,055	148,800,000	(148,800,000)	**94,172,055**
Subtotal	235,154,631	705,950,000	(705,950,000)	**235,154,631**

(a) As is authorized in Document No. 489 [2007], CSRC, the issuer can publicly issue corporate bonds with total amount no more than 10 billion, the Company issued bonds with maturity of 5 years, 7 years and 10 years respectively 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%. 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%.

(b) The Company issued medium-term note with maturity of 5 years in May 2009. The face value of such bond is RMB4 billion with annual interest rate of 3.72%.

The bonds mentioned-above are denominated in RMB and issued at par. Interest is payable annually and principals are paid when the bonds fall due.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

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

(29) Other non-current liabilities

	31 December 2010	31 December 2009
Environmental subsidies	**509,923,168**	505,803,833
VAT refund on domestic equipment purchase	**1,620,954,013**	1,633,523,726
Other	**103,263,246**	106,072,575
	2,234,140,427	2,245,400,134

(30) Share capital

	31 December 2009	Current year additions and deductions: New shares issue	Bonus issue	Transfer-in from capital surplus	Others	Sub-total	31 December 2010
Shares with lock-up limitation							
State-owned shares	1,055,124,549	500,000,000	—	—	—	500,000,000	**1,555,124,549**
State-owned legal person shares	5,066,662,118	225,666,606	—	—	—	225,666,606	**5,292,328,724**
Domestic non-state-owned legal person shares	—	774,333,394	—	—	—	774,333,394	**774,333,394**
	6,121,786,667	1,500,000,000	—	—	—	1,500,000,000	**7,621,786,667**
Shares without lock-up limitation							
Domestic shares	2,878,213,333	—	—	—	—	—	**2,878,213,333**
Overseas listed shares	3,055,383,440	500,000,000	—	—	—	500,000,000	**3,555,383,440**
	5,933,596,773	500,000,000	—	—	—	500,000,000	**6,433,596,773**
	12,055,383,440	2,000,000,000	—	—	—	2,000,000,000	**14,055,383,440**

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

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

(30) Share capital *(Cont'd)*

In December 2010, the Company issued 1,500,000,000 A shares (par value of RMB1.00 each) and 500,000,000 H shares (par value of RMB1.00 each) through private placement, respectively. Net proceeds from the issuance amounted to RMB10.274 billion after deducting issuance costs of RMB107 million from gross proceeds of RMB10.381 billion.

		Current year additions and deductions					
	31 December 2008	New shares issue	Bonus issue	Transfer-in from capital surplus	Others	Sub-total	31 December 2009
Shares with lock-up limitation							
State-owned shares	1,055,124,549	—	—	—	—	—	1,055,124,549
State-owned legal person shares	5,066,662,118	—	—	—	—	—	5,066,662,118
	6,121,786,667	—	—	—	—	—	6,121,786,667
Shares without lock-up limitation							
Domestic shares	2,878,213,333	—	—	—	—	—	2,878,213,333
Overseas listed shares	3,055,383,440	—	—	—	—	—	3,055,383,440
	5,933,596,773	—	—	—	—	—	5,933,596,773
	12,055,383,440	—	—	—	—	—	12,055,383,440

(31) Capital surplus

Movement of capital surplus is as follows:

	31 December 2009	Current year additions	Current year deductions	31 December 2010
Share premium	7,864,018,087	8,795,280,497	—	**16,659,298,584**
Other capital surplus–				
Changes in fair value of available-for-sale financial assets	889,507,771	—	(287,809,523)	**601,698,248**
Cash flow hedge	128,043,958	—	(112,377,174)	**15,666,784**
Others	467,559,598	8,197,711	(6,221,856)	**469,535,453**
Subtotal	1,485,111,327	8,197,711	(406,408,553)	**1,086,900,485**
	9,349,129,414	8,803,478,208	(406,408,553)	**17,746,199,069**

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

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

(31) Capital surplus *(Cont'd)*

	31 December 2008	Current year additions	Current year deductions	31 December 2009
Share premium	10,218,135,087	—	(2,354,117,000)	7,864,018,087
Other capital surplus–				
Changes in fair value of available-for-sale financial assets	106,745,771	1,043,682,667	(260,920,667)	889,507,771
Cash flow hedge	(476,600,916)	898,516,923	(293,872,049)	128,043,958
Others	456,504,187	13,666,900	(2,611,489)	467,559,598
Subtotal	86,649,042	1,955,866,490	(557,404,205)	1,485,111,327
	10,304,784,129	1,955,866,490	(2,911,521,205)	9,349,129,414

The additions to share premium mainly represented the difference between net proceeds from share issue and the addition to paid-in capital, and the capital funds allocated from government budget received from the Ministry of Finance of PRC through Huaneng Group.

(32) Surplus reserves

	31 December 2009	Current year additions	Current year deductions	31 December 2010
Statutory surplus reserve	6,109,942,374	862,530,098	—	**6,972,472,472**
Discretionary surplus reserve	32,402,689	—	—	**32,402,689**
	6,142,345,063	862,530,098	—	**7,004,875,161**

	31 December 2008	Current year additions	Current year deductions	31 December 2009
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

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 registered share capital after being used to increase share capital. The Company appropriated 10% of 2010's net profit attributable to the shareholders to the statutory surplus reserve, amounting to RMB354,430,442, and none to the discretionary surplus reserve fund.

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

(32) Surplus reserves *(Cont'd)*

According to the Company's articles and profit appropriation plan approved by board on 23 March 2010, the Company appropriated 10% of 2009's net profit attributable to the shareholders to the statutory surplus reserve, amounting to RMB508,099,656, and none to the discretionary surplus reverse fund. This appropriation plan was approved by the annual general meeting of shareholders on 22 June 2010.

(33) Undistributed profits

As at 31 December 2010, the surplus reserve attributable to the Company's subsidiaries included in the undistributed profit amounted to RMB916,310,860 (31 December 2009: RMB765,958,453). The appropriation of subsidiaries' surplus reserve attributable to the Company this year amounted to RMB150,352,407 (2009: RMB59,713,166).

On 22 June 2010, after approval from the annual general meeting of the shareholders, the Company declared 2009 final dividend of RMB0.21 (2008: RMB0.10) per ordinary share, totaling approximately RMB2,528,049,674 (2008: RMB1,205,633,044). For the year ended 31 December 2010, the Company has already paid dividend of approximately RMB2,529,380,987 (For the year ended 31 December 2009: approximately RMB1,241,633,044) .

Pursuant to the resolution of the Board of Directors on 29 March 2011, the proposed 2010 profit appropriation plan was made on the basis of a total of 14,055,383,440 ordinary shares outstanding as at 31 December 2010, a cash dividend of RMB0.20 (including tax) per ordinary share amounting to RMB2,811,076,688 to be distributed to the shareholders. This proposal is subject to the approval of the shareholders at the annual general meeting.

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

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

(34) Minority interests

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

	31 December 2010	31 December 2009
Weihai Power Company	**496,897,292**	415,426,141
Huaiyin II Power Company	**254,317,556**	255,530,953
Taicang Power Company	**217,036,473**	202,983,774
Taicang II Power Company	**267,633,627**	260,489,853
Qinbei Power Company	**623,663,846**	644,261,541
Yushe Power Company	**(91,768,170)**	33,843,455
Xindian II Power Company	**(10,863,278)**	2,251,553
Yueyang Power Company	**488,598,681**	497,219,039
Luohuang Power Company	**896,630,533**	828,561,653
Shanghai Combined Cycle Power Company	**251,961,758**	260,890,153
Pingliang Power Company	**295,560,996**	388,681,271
Jinling Power Company	**937,524,096**	804,740,845
Subsidiaries of SinoSing Power	**38,846,115**	47,178,600
Shidongkou Power Company	**495,033,126**	495,000,000
Nantong Power Company	**234,000,000**	234,000,000
Daditaihong	**—**	50,000
Yingkou Port	**364,315,532**	362,612,013
Beijing Cogeneration	**1,218,251,684**	1,187,968,585
Qidong Wind Power	**96,916,771**	68,717,074
Yangliuqing Power Company	**653,840,712**	678,922,407
Kaifeng Xinli	**34,179,982**	32,033,295
Zuoquan Cogeneration	**96,000,000**	—
Luneng Sea Transportation	**106,819,515**	—
Rudong Wind Power	**2,550,000**	—
	7,967,946,847	7,701,362,205

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

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

(35) Operating revenue and operating cost

	2010 Revenue	2010 Cost	2009 Revenue	2009 Cost
Principal operations	102,738,253,852	91,514,942,171	79,393,890,532	66,768,221,480
Other operations	1,569,448,058	1,303,509,657	348,440,340	192,948,289
Total	104,307,701,910	92,818,451,828	79,742,330,872	66,961,169,769

The principal operations of the Company and its subsidiaries are mainly sales of power and heat, port and transportation service.

(a) Principal operating revenue and cost

Details of the principal operating revenue and cost categorized by industries are as follows:

	2010 Principal operating revenue	2010 Principal operating cost	2009 Principal operating revenue	2009 Principal operating cost
Sales of power and heat	102,497,639,714	91,333,682,676	79,216,442,798	66,649,994,929
Port service	229,699,735	171,119,214	177,447,734	118,226,551
Transportation service	10,914,403	10,140,281	—	—
	102,738,253,852	91,514,942,171	79,393,890,532	66,768,221,480

Details of the principal operating revenue and cost categorized by products are as follows:

	2010 Principal operating revenue	2010 Principal operating cost	2009 Principal operating revenue	2009 Principal operating cost
Power and heat	102,497,639,714	91,333,682,676	79,216,442,798	66,649,994,929
Port service	229,699,735	171,119,214	177,447,734	118,226,551
Transportation Service	10,914,403	10,140,281	—	—
	102,738,253,852	91,514,942,171	79,393,890,532	66,768,221,480

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

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

(35) Operating revenue and operating cost *(Cont'd)*

(a) Principal operating revenue and cost *(Cont'd)*

Details of the principal operating revenue and cost categorized by regions are as follows:

	2010		2009	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
China	87,696,328,489	77,978,478,664	68,978,457,161	57,569,438,182
Singapore	15,041,925,363	13,536,463,507	10,415,433,371	9,198,783,298
	102,738,253,852	91,514,942,171	79,393,890,532	66,768,221,480

(b) Other operating revenue and cost

	2010		2009	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Sales of raw materials and steam	1,136,268,860	1,036,881,412	167,350,299	143,683,860
Others	433,179,198	266,628,245	181,090,041	49,264,429
Total	1,569,448,058	1,303,509,657	348,440,340	192,948,289

(c) Operating revenue from the five largest customers of the Company and its subsidiaries

The operating revenue from the five largest customers of the Company and its subsidiaries amounted to RMB52,301,795,103 (2009: RMB42,807,393,216), representing 50.14% (2009: 53.68%) of the total operating revenue.

Details of operating revenue are as follows:

	Operating revenue	Percentage in total operating revenue
Jiangsu Electric Power Corporation	13,435,193,547	12.88%
Shandong Power	12,486,064,907	11.97%
Energy Market Company (Singapore)	9,412,705,787	9.02%
Zhejiang Electric Power Company	9,178,464,595	8.80%
Liaoning Electric Power Co., Ltd.	7,789,366,267	7.47%
	52,301,795,103	50.14%

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

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

(36) Tax and levies on operations

	2010	2009
City construction tax	58,972,212	73,278,416
Education surcharge	45,586,107	62,802,729
Others	43,082,884	29,504,989
	147,641,203	165,586,134

(37) General and administrative expenses

	2010	2009
Salary, social insurance and employee education funds	1,494,564,786	1,352,457,939
Depreciation and amortization expense	160,699,327	121,488,671
Tax and other levies	437,517,615	404,225,422
Technology consulting and intermediary charges	99,953,972	109,431,257
Others	531,739,673	372,722,982
	2,724,475,373	2,360,326,271

(38) Financial expenses, net

	2010	2009
Interest expense	5,282,549,046	4,433,982,264
Including: Interest expense on borrowings	5,279,508,068	4,430,532,820
Interest expense on notes discounts	3,040,978	3,449,444
Less: Interest income	(89,025,746)	(64,685,536)
Foreign currency exchange losses	196,758,086	50,113,059
Less: Foreign currency exchange gains	(330,702,685)	(73,853,393)
Others	45,980,575	89,869,124
	5,105,559,276	4,435,425,518

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

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

(39) Investment income

	2010	2009
Gains from available-for-sale financial assets	63,577,786	37,062,848
Shares of net profit of investees accounted for under equity method (a)	572,049,715	752,787,801
Investment (loss)/income from derivative financial instruments	(3,564,555)	19,612,266
	632,062,946	809,462,915

(a) Long-term equity investment income under equity method

Investees from which investment income of the Company and its subsidiaries account for more than 5% of the total profit, or investees accounting for the top five of the total profit of the Company and its subsidiaries are listed as follows:

	2010	2009
SEG	218,388,058	310,177,500
Sichuan Hydropower Company	273,813,997	204,903,309
SEC	120,859,756	176,771,486
Huaneng Finance	66,240,899	88,291,123
Hanfeng Power Company	(61,544,406)	779,125
	617,758,304	780,922,543

The reason for the variance is mainly the variances of performance of the investees.

(40) Assets impairment loss

	2010	2009
Reversal of provision for doubtful accounts on receivables	(2,756,378)	(1,945,586)
(Reversal of)/Provision for inventory obsolescence	(154,572)	29,888,825
Impairment provision for long-term equity investments	—	1,180,000
Fixed assets impairment	8,477,084	629,672,883
Intangible assets impairment	23,705,542	—
	29,271,676	658,796,122

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

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

(41) Non-operating income

	2010	2009	Amount recorded into non-recurring profit and loss of 2010
Gains on fixed assets disposal	73,937,919	43,612,852	73,937,919
Government subsidies (a)	445,425,346	214,622,151	437,898,340
Other	45,629,229	20,692,425	45,629,229
	564,992,494	278,927,428	557,465,488

(a) Breakdown of government subsidies

	2010	2009
Environmental subsidy	38,403,565	33,736,997
VAT refund on purchase of domestically– manufactured equipment	122,524,489	116,656,772
Refund of previously levied VAT	17,930,481	33,749,418
Heat supply subsidy	15,344,045	—
Desulphurization subsidy	—	3,512,100
Subsidy for shutting down of small power generation units	—	19,350,000
Subsidy on interest	14,000,000	—
Subsidy for security of coal supply	117,960,000	529,000
Subsidy for disposal of obsolete capacity	81,000,000	—
Other	38,262,766	7,087,864
	445,425,346	214,622,151

(42) Non-operating expenses

	2010	2009	Amount recorded into non-recurring profit and loss of 2010
Losses on fixed assets disposal	50,498,367	105,578,459	50,498,367
Other	43,279,223	56,942,015	43,279,223
	93,777,590	162,520,474	93,777,590

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

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

(43) Income tax expense

	2010	2009
Current income tax	1,060,361,559	908,324,700
Deferred income tax	(147,265,811)	(251,633,201)
	913,095,748	656,691,499

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:

	2010	2009
Profit before taxation	4,593,423,909	6,049,835,488
Income tax expense calculated based on applicable income tax rate	987,874,737	1,130,497,599
Impact of the difference of tax rates	(30,454,228)	(196,173,191)
Non-taxable income	(151,207,134)	(135,867,314)
Non-deductible costs, expenses and losses	134,627,771	139,929,251
Utilization of deductible tax loss without recognition of deferred income tax assets in prior years	—	(381,892,431)
Deductible tax loss without recognition of deferred income tax assets in the current year	189,353,879	100,197,585
Impact of income tax deduction due to purchase of domestically-manufactured equipment	(217,099,277)	—
Income tax expense	913,095,748	656,691,499

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

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

(44) Earnings per share

Basic earnings per share

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

	2010	2009
Consolidated net profit attributable to shareholders of the Company	3,544,304,422	5,080,996,564
Weighted average number of the Company's outstanding ordinary shares	12,107,438,235	12,055,383,440
Basic earnings per share	0.29	0.42
Including:		
Continuing operation basic earnings per share	0.29	0.42
Discontinuing operation basic earnings per share	—	—

For the year ended 31 December 2010, as there were no potential dilutive ordinary shares, both the basic earnings per share and the diluted earnings per share were the same (2009: Nil).

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

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

(45) Other comprehensive income

	2010	2009
Available-for-sale financial assets		
— (Losses)/gains	(344,271,532)	1,031,956,065
Less: Income tax impact	86,067,882	(257,989,016)
Subtotal	(258,203,650)	773,967,049
Shares in investees' other comprehensive (losses)/income under equity method	(41,787,118)	11,438,276
Less: Income tax impact	5,959,389	(2,931,650)
Subtotal	(35,827,729)	8,506,626
Hedging instruments of cash flow hedge	(199,369,958)	859,498,045
Less: Transfer from other comprehensive income recorded in prior period to the income statements in current period	52,241,399	(120,413,058)
Less: Income tax impact	34,751,385	(134,440,113)
Subtotal	(112,377,174)	604,644,874
Currency translation differences	457,670,280	173,547,077
Other	—	13,801,900
Less: Income tax impact of the items recorded in other comprehensive income	—	(2,323,164)
Subtotal	—	11,478,736
Total	51,261,727	1,572,144,362

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

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

(46) Notes to the cash flow statement

(a) Other cash received relating to operating activities

	2010	2009
Income from materials sales	18,007,458	24,104,409
Subsidy income	221,659,140	28,630,431
Interest income	54,728,132	64,685,536
Venue leasing income	186,252,106	—
Other	211,327,985	117,213,746
	691,974,821	234,634,122

(b) Other cash paid relating to operating activities

	2010	2009
Pollutants discharge fees paid	465,071,573	429,830,837
Other	459,519,976	506,978,009
	924,591,549	936,808,846

(c) Other cash received relating to investing activities

	2010	2009
Finance lease income	21,082,102	4,398,097
Other	17,063,715	—
	38,145,817	4,398,097

(d) Other cash received relating to financing activities

	2010	2009
Environmental subsidy	291,869,671	432,420,751

(e) Other cash paid relating to financing activities

	2010	2009
Ancillary fees of borrowings	67,549,555	31,637,460
Other	22,486,228	4,975,247
	90,035,783	36,612,707

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

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

(47) Supplementary information on cash flow statement

(a) Supplementary information on cash flow statement

Reconciliation of net profit to cash flows from operating activities

	2010	2009
Net profit	**3,680,328,161**	5,393,143,989
Add: Provision for assets impairment	**29,271,676**	658,796,122
Depreciation of fixed assets	**10,175,227,925**	9,101,414,744
Amortization of intangible assets	**128,391,470**	100,317,630
Amortization of long-term deferred expenses	**26,592,568**	31,394,636
(Gains)/Losses on disposal of fixed assets and intangible assets	**(32,118,807)**	61,965,607
(Gains)/Losses on changes in fair value	**(11,850,976)**	33,637,701
Financial expenses	**5,184,034,893**	4,439,211,294
Investment income	**(635,627,501)**	(789,850,650)
Amortization of deferred income	**(164,088,999)**	(152,860,929)
Increase in deferred income tax assets	**(319,347,062)**	(121,544,050)
Decrease in deferred income tax liabilities	**172,081,251**	(130,089,151)
(Increase)/Decrease in inventories	**(1,031,870,652)**	1,421,448,226
Increase in operating receivable items	**(1,724,971,978)**	(2,960,082,372)
Increase/(Decrease) in operating payable items	**2,590,672,815**	(1,097,467,721)
Net cash flows generated from operating activities	**18,066,724,784**	15,989,435,076

Change in cash and cash equivalents

	2010	2009
Cash at end of the year	**9,426,437,511**	5,226,981,648
Less: Cash at beginning of the year	**(5,226,981,648)**	(6,029,251,473)
Net increase/(decrease) in cash	**4,199,455,863**	(802,269,825)

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

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

(47) Supplementary information on cash flow statement *(Cont'd)*

(b) Cash paid to acquire subsidiaries and other operating units

	2010	2009
Consideration of acquiring subsidiaries and other operating units	6,226,647,015	2,354,117,000
Less: Cash and cash equivalents held by subsidiaries and other operating units	(90,533,598)	(424,651,547)
Less: Unpaid considerations	(309,110,505)	—
Cash paid to acquire subsidiaries and other operating units	5,827,002,912	1,929,465,453

(c) Cash and cash equivalents

	31 December 2010	31 December 2009
Cash —		
Cash on hand	2,345,857	1,181,511
Cash in bank	9,545,562,339	5,450,868,303
Subtotal	9,547,908,196	5,452,049,814
Less: restricted cash*	(121,470,685)	(225,068,166)
Cash and cash equivalents at end of the year	9,426,437,511	5,226,981,648

* Restricted cash is mainly deposits for letter of credit deposit.

6. SEGMENT REPORTING

Directors and certain senior management of the Company perform the function as chief operating decision makers (collectively referred to as the "senior management"). The senior management reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. The Company has determined the operating segments based on these reports. In prior year, the operating segments of the Company included power segment and all other segments. Considering the developments of Singapore operations in 2010, including the commencement of construction of a new generator, the Company expected a continuous increase in significance of the Singapore operations. Hence, the internal reporting was restructured and the Company grouped operating segments into PRC power segment, Singapore segment and all other segments (mainly including port and transportation operations). Therefore, the 2009 comparative figures were restated.

The senior management assesses the performance of the operating segments based on a measure of profit/(loss) before income tax expense in related periods excluding dividend income received from available-for-sale financial assets and operating results of those centrally managed and resource allocation functions in headquarters.

Segment assets exclude prepaid income tax, deferred income tax assets, available-for-sale financial assets, and assets related to those centrally managed and resource allocation functions in headquarters that are not attributable to any operating segment ("corporate assets"). Segment liabilities exclude current income tax liabilities, deferred income tax liabilities and liabilities related to those centrally managed and resource allocation functions in headquarters that are not attributable to any operating segment ("corporate liabilities"). These are part of the reconciliation to total balance sheet assets and liabilities.

All sales among the operating segments were performed at the price sold to the third party and have been eliminated as internal transactions when preparing the consolidated financial statements.

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

6. SEGMENT REPORTING *(Cont'd)*

	PRC Power Segment	Singapore Segment	All other segments	Total
For the year ended 31 December 2010				
Total revenue	**88,895,806,703**	**15,171,281,069**	**426,072,267**	**104,493,160,039**
Inter-segment revenue	**—**	**—**	**(185,458,129)**	**(185,458,129)**
Revenue from external customers	**88,895,806,703**	**15,171,281,069**	**240,614,138**	**104,307,701,910**
Segment results	**3,809,095,878**	**853,369,901**	**3,845,444**	**4,666,311,223**
Interest income	**50,012,457**	**38,787,289**	**226,000**	**89,025,746**
Interest expense	**(4,590,503,207)**	**(421,399,104)**	**(39,671,940)**	**(5,051,574,251)**
Depreciation and amortization	**(9,690,056,890)**	**(561,846,589)**	**(52,726,869)**	**(10,304,630,348)**
Net gain on disposal of fixed assets	**10,612,517**	**12,827,035**	**—**	**23,439,552**
Share of profits of associates	**493,045,982**	**—**	**12,762,835**	**505,808,817**
Income tax expense	**(739,004,426)**	**(172,659,302)**	**(1,432,020)**	**(913,095,748)**
For the year ended 31 December 2009				
Total revenue	69,057,893,933	10,506,989,205	379,425,503	79,944,308,641
Inter-segment revenue	—	—	(201,977,769)	(201,977,769)
Revenue from external customers	69,057,893,933	10,506,989,205	177,447,734	79,742,330,872
Segment results	5,503,913,851	730,717,713	7,981,796	6,242,613,360
Interest income	53,837,595	10,133,523	714,418	64,685,536
Interest expense	(3,858,727,104)	(376,746,780)	(39,438,636)	(4,274,912,520)
Depreciation and amortization	(8,653,898,015)	(512,708,994)	(46,136,366)	(9,212,743,375)
Net (loss)/gain on disposal of fixed assets	(61,978,759)	13,152	—	(61,965,607)
Share of profits of associates	664,496,678	—	—	664,496,678
Income tax expense	(510,622,782)	(144,265,166)	(1,803,551)	(656,691,499)
31 December 2010				
Segment assets	**183,608,308,096**	**27,994,439,495**	**4,544,366,073**	**216,147,113,664**
Including:				
Additions to non-current assets (excluding financial assets and deferred income tax assets)	**23,048,297,270**	**619,372,600**	**933,980,687**	**24,601,650,557**
Investment in associates	**9,103,960,414**	**—**	**984,544,768**	**10,088,505,182**
Investment in a jointly controlled entity	**—**	**—**	**1,058,000,000**	**1,058,000,000**
Segment liabilities	**(135,144,758,519)**	**(17,037,143,869)**	**(1,163,361,517)**	**(153,345,263,905)**
31 December 2009				
Segment assets	163,429,263,291	25,015,546,041	1,517,971,177	189,962,780,509
Including:				
Additions to non-current assets (excluding financial assets and deferred income tax assets)	27,138,580,231	424,492,714	36,967,501	27,600,040,446
Investment in associates	8,715,779,284	—	—	8,715,779,284
Segment liabilities	(120,904,920,618)	(16,194,452,973)	(792,749,677)	(137,892,123,268)

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

6. SEGMENT REPORTING *(Cont'd)*

A reconciliation of segment result to profit before income tax expense is provided as follows:

	2010	2009
Segment result	**4,666,311,223**	6,242,613,360
Reconciling item:		
Loss related to the headquarters	**(139,128,213)**	(281,068,995)
Investment income from Huaneng Finance	**66,240,899**	88,291,123
Profit before income tax	**4,593,423,909**	6,049,835,488

Reportable segments' assets are reconciled to total assets as follows:

	31 December 2010	31 December 2009
Total segment assets	**216,147,113,664**	189,962,780,509
Reconciling items:		
Investment in Huaneng Finance	**560,213,462**	570,917,025
Deferred income tax assets	**867,182,843**	547,664,305
Prepaid income tax	**76,429,736**	40,815,287
Available-for-sale financial assets	**1,949,727,308**	2,293,998,840
Other long-term equity investments	**274,086,300**	261,973,500
Corporate assets	**4,077,994,513**	318,977,388
Total assets per consolidated balance sheet	**223,952,747,826**	193,997,126,854

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 December 2010	31 December 2009
Total segment liabilities	**(153,345,263,905)**	(137,892,123,268)
Reconciling items:		
Current income tax liabilities	**(280,917,052)**	(292,509,304)
Deferred income tax liabilities	**(1,605,716,163)**	(1,386,493,492)
Corporate liabilities	**(7,861,634,657)**	(5,709,119,267)
Total liabilities per consolidated balance sheet	**(163,093,531,777)**	(145,280,245,331)

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

6. SEGMENT REPORTING *(Cont'd)*

Other material items:

	Reportable segment totals	Headquarters	Investment income from Huaneng Finance	Total
2010				
Depreciation and amortization	**10,304,630,348**	**25,581,615**	**—**	**10,330,211,963**
Share of profits of associates	**505,808,816**	**—**	**66,240,899**	**572,049,715**
Interest expense	**5,051,574,251**	**230,974,795**	**—**	**5,282,549,046**
2009				
Depreciation and amortization	9,212,743,375	20,383,635	—	9,233,127,010
Share of profits of associates	664,496,678	—	88,291,123	752,787,801
Interest expense	4,274,912,520	159,069,744	—	4,433,982,264

Geographical information:

(a) External revenue generated from the following countries:

	2010	2009
— PRC	**89,136,420,841**	69,235,341,667
— Singapore	**15,171,281,069**	10,506,989,205
	104,307,701,910	79,742,330,872

(b) Non-current assets (excluding financial assets and deferred income tax assets) are located in the following countries:

	31 December 2010	31 December 2009
— PRC	**169,317,868,777**	147,722,104,978
— Singapore	**22,070,397,525**	21,056,775,021
	191,388,266,302	168,778,879,999

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

6. SEGMENT REPORTING *(Cont'd)*

The information on the portion of external revenue of the Company and its subsidiaries which generated from sales to major customers of the Company and its subsidiaries which is equal to or more than 10% of external revenue is as follows:

	2010		2009	
	Amount	Proportion	Amount	Proportion
Jiangsu Electric Power Company	13,435,193,547	12.88%	10,600,206,456	13.29%
Shandong Power	12,486,064,907	11.97%	10,457,022,071	13.11%
Zhejiang Electric Power Corporation	9,178,464,595	8.80%	8,154,374,016	10.23%

7. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Information of the parent company

(a) General information of the parent company

Name of entity	Place of registration	Business nature and scope of operations	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	State-owned enterprise	Cao Peixi
HIPDC	Beijing	Investments, construction and operations of power plants and development, investments and operations of other export-oriented enterprises	Sino-foreign equity joint stock limited liability company	Cao Peixi

The ultimate parent company of the Company is Huaneng Group.

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

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

(1) Information of the parent company *(Cont'd)*

(b) Registered capital of the parent company and respective changes

Name of entity	Currency	31 December 2009	Current year additions	31 December 2010
Huaneng Group	RMB	20,000,000,000	—	**20,000,000,000**
HIPDC	USD	450,000,000	—	**450,000,000**

(c) Shareholding or equity interest held by parties that control/are controlled by the Company and respective changes

Name of entity	31 December 2009 Amount	31 December 2009 %	Current year additions Amount	Current year additions %	31 December 2010 Amount	31 December 2010 %
Huaneng Group*	1,075,124,549	8.92	1,012,876,654	5.94	**2,088,001,203**	**14.86**
HIPDC	5,066,662,118	42.03	—	—	**5,066,662,118**	**36.05**

* A wholly-owned subsidiary of Huaneng Group registered in Hong Kong holds approximately 3.07% of the Company's H share. A wholly-owned subsidiary of Huaneng Group registered in PRC holds approximately 0.09% of the Company's A shares.

(2) Information of subsidiaries

Please refer to Note 4 for the nature and related information of the subsidiaries.

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

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

(3) Information of the jointly controlled entities and associates

Names of entities	Type of entity	Place of registration	Legal representative	Business nature and scope of operations	Registered capital	Organisation code
Jointly controlled entity						
Time Shipping	Limited liability company	Pudong, Shanghai	Wu Ruosi	International and domestic sea transportation	RMB1,200,000,000	70310029-4
Associates						
Rizhao Power Company	Limited liability company	Rizhao, Shandong	Ge Zuoguo	Power Generation	RMB1,245,587,900	61407218-0
SEG	Limited liability company	Shenzhen, Guangdong	Gao Zimin	Development, production and sale of regular energy, new energy and energy construction project, etc.	RMB955,555,556	19218918-5
Hanfeng Power Company	Limited liability company	Handan, Hebei	Lin Gang	Power Generation	RMB1,975,000,000	60116707-6
Lime Company	Limited liability company	Chongqing	Sun Lida	Lime production and sale, construction materials, chemical engineering product	RMB50,000,000	20359815-3
Huaneng Finance	Limited liability company	Beijing	Yang Meiru	Provision for financial service including fund deposit services, lending, finance lease arrangements, notes discounting and entrusted loans and investment arrangement within Huaneng Group	RMB2,000,000,000	10000805-0
Sichuan Hydropower	Limited liability company	Chengdu, Sichuan	Zhang Wei	Development, investment, construction, operation and management of hydropower	RMB979,600,000	76234868-7
SEC	Limited liability company	Shenzhen, Guangdong	Gao Zimin	Energy and investment in related industries	RMB2,202,495,332	19224115-8
Yangmei Huaneng Company	Limited liability company	Taiyuan, Shanxi	Ren Fuyao	Investment, development, consulting and management services of coal and power generation projects	RMB1,000,000,000	68024177-1
Shidaowan Nuclear Power	Limited liability company	Rongcheng, Shandong	Zhang Tinke	Preparation for construction of pressurized water reactor power plant project	RMB1,000,000,000	69685560-4
Bianhai Railway	Limited liability company	Yingkou, Liaoning	Zhao Wei	Railway construction, freight transportation, materials supplies, agency service, logistics and storage at coastal industrial base in Yingkou, Liaoning	RMB150,000,000	69619910-9
Shenbei Cogeneration	Limited liability company	Shenyang, Liaoning	Du Daming	Production and sales of electricity and heat, construction and operation of power plants	RMB70,000,000	78872578-6
Longquan Metallurgy Casting	Limited liability company	Jinzhong, Shanxi	Wang Jianqiang	Iron smelting, casting, magresium ingot and raw coal exploitation, coal preparation, sales of coke and tar	RMB6,450,000	11282189-0
Hainan Nuclear Power	Limited liability company	Changjiang, Hainan	Wang Min	Construction and operation of nuclear power plants, sales of electricity and related products, technical consulting, technical service, etc	RMB403,580,000	68116851-0

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

(4) Information of other related parties

Names of related parties	Relationship with the Company
Huaneng Finance	An associate of the Company
Lime Company	An associate of the Company
Rizhao Power Company	An associate of the Company
Time Shipping	An affiliated company of HEC before 31 December 2010, and a jointly controlled entity thereafter
Huaneng Building Construction and Management Co., Ltd. ("Huaneng Building")	A subsidiary of Huaneng Group
Xi'an Thermal and its subsidiaries	A subsidiary of Huaneng Group
HEC and its subsidiaries	A subsidiary of Huaneng Group
Hulunbeier Energy	A subsidiary of Huaneng Group
Huaneng New Energy	A subsidiary of Huaneng Group
Huaneng Group Innovation Center	A subsidiary of Huaneng Group
Huaneng Heilongjiang Power Generation Co., Ltd. ("Heilongjiang Power")	A subsidiary of Huaneng Group
Hainan Power	A subsidiary of Huaneng Group
Suzhou Thermoelectric	A subsidiary of Huaneng Group
Ruijin Power	A subsidiary of HIPDC
Wuhan Power	A subsidiary of Huaneng Group
Huating Coal	A subsidiary of Huaneng Group
Alltrust Insurance	A subsidiary of Huaneng Group
Inner Mongolia Power	A subsidiary of Huaneng Group
North United Power Coal Transportation and Marketing Co., Ltd. ("North United Power")	A subsidiary of Huaneng Group
Hebei Huaneng Industrial Development Limited Liability Company ("Hebei Huaneng Industrial Development")	A subsidiary of Huaneng Group
Huaneng Jinan Huangtai Power Generation Co., Ltd. ("Huangtai Power")	A subsidiary of Huaneng Group
Huaneng Guicheng Trust	A subsidiary of Huaneng Group
Tibet Power	A subsidiary of Huaneng Group

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

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

(5) Related party transactions

(a) Related party transactions

Related party	The type of related party transactions	The nature of related party transactions	2010 Amount	2009 Amount
HIPDC	Service on transmission and transformer facilities	Service fees expenses on transmission and transformer facilities	**140,771,050**	140,771,050
HIPDC	Rental service on land use rights	Rental charge on land use rights of Huaneng Nanjing Power Plant	**1,334,186**	1,334,186
HIPDC	Rental fees	Rental charge on Office building	**9,266,667**	26,600,000
Huaneng Group	Entrusted loans	Interest expense on long-term loans	**34,674,375**	52,968,951
Subsidiaries of Huaneng Group	Coal sales	Agency fee income from coal purchase	**—**	28,679,766
Huaneng Finance	Long-term loans	Interest expense on long-term loans	**11,355,350**	10,575,900
Huaneng Finance	Long-term loans	Drawdown of long-term loans	**—**	100,000,000
Huaneng Finance	Short-term loans	Interest expense on short-term loans	**17,714,160**	40,880,151
Huaneng Finance	Short-term loans	Drawdown of short-term loans	**605,000,000**	100,000,000
HEC and its subsidiaries	Service charge	Service fee relating to coal storage yard	**116,629,725**	—
HEC and its subsidiaries	Coal purchase	Purchase of coal and transportation service	**1,879,157,013**	1,099,753,865
HEC and its subsidiaries	Equipment purchase	Purchase of equipments and products	**596,233,651**	811,838,432
Xi'an Thermal and its subsidiaries	Technology services	Information and technology supporting service	**207,779,439**	159,727,702
Xi'an Thermal and its subsidiaries	Equipment purchase	Purchase of equipments and products	**101,482,828**	64,735,653
Rizhao Power Company	Coal sales	Sales of Coal	**119,756,705**	—
Rizhao Power Company	Coal sales	Agency fee income from coal purchase	**—**	8,083,718
Rizhao Power Company	Coal purchase	Purchase of coal	**2,079,342,214**	1,517,256,878
Rizhao Power Company	Material purchase	Purchase of materials	**49,512,789**	—
Rizhao Power Company	Electricity purchase	Purchase of electricity	**4,443,201**	—
Huaneng New Energy	Long-term loans	Interest expense on long-term loans	**3,922,034**	19,644,896
Huaneng New Energy	CDM agency fee	Consulting and registration fee	**700,000**	—
Hulunbeier Energy	Coal purchase	Purchase of coal	**839,462,357**	1,195,212,008
Lime Company	Lime purchase	Purchase of lime	**104,636,321**	92,391,794
Huaneng Group Innovation Center	Technology services	Information and technology supporting service	**47,210,000**	42,400,000
Huaneng Building	Rental fees	Rental charge on Office building	**65,294,631**	—
Heibei Huaneng Industrial Development	Coal purchase	Purchase of coal	**8,184,551**	—
Inner Mongolia Power	Coal purchase	Purchase of coal	**68,666,186**	—
North United Power	Coal purchase	Purchase of coal	**21,755,466**	—
Huating Coal	Coal purchase	Purchase of coal	**1,463,618,985**	396,642,288
Heilongjiang Power	Service charge	Service fee relating to equipment purchase	**520,000**	—
Huaneng Guicheng Trust	Short-term loan	Drawdown of short-term loans	**3,180,000,000**	—

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

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

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

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

Related party	The type of related party transactions	The nature of related party transactions	2010 Amount	2009 Amount
Huaneng Guicheng Trust	Short-term loan	Interest expense on short-term loans	55,150,037	–
Huangtai Power	Quota purchase	Power generation quota purchase	7,684,716	–
Hainan Power	Coal sales	Sales of Coal	71,525,835	–
Suzhou Thermoelectric	Coal sales	Sales of Coal	90,593,042	–
Ruijin Power	Coal sales	Sales of Coal	681,371,853	–
Wuhan Power	Coal sales	Sales of Coal	34,048,504	–
Alltrust Insurance	Property insurance	Insurance fees	138,208,029	–
Tibet Power	Assets purchase	Purchase of vehicles	2,117,704	–
Tibet Power	Service charge	Labour charge relating to aid-Tibet project	876,631	–

The related party transactions of the Company and its subsidiaries adopt the negotiated contract price based on market conditions.

On 31 December 2010, the Company acquired 50% equity interest of Time Shipping from HEC and 30% equity interest of Hainan Nuclear Power from Huaneng Group, with total consideration of RMB1,232 million.

Please refer to Note 5(27) for details of long-term loans on-lent from Huaneng Group through Huaneng Finance to the Company and its subsidiaries.

Please refer to Note 5(27) for details of the long-term bank loans of the Company and its subsidiaries guaranteed by HIPDC and Huaneng Group.

Please refer to Note 5(18) and 5(27) for details of short-term loans and long-term loans from Huaneng Finance and Huaneng Guicheng Trust to the Company and its subsidiaries.

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

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

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

(b) Senior management' emolument

	2010	2009
Senior management' emolument	8,618,376	8,206,335

(6) Cash deposits in a related party

	31 December 2010	31 December 2009
Current deposits in Huaneng Finance	1,774,737,704	2,742,184,017

As at 31 December 2010, the annual interest rates for these current deposits placed with Huaneng Finance ranged from 0.36% to 1.35% (31 December 2009: from 0.36% to 1.35%).

(7) Receivables from and payables to related parties

	31 December 2010			31 December 2009		
	Carrying amount	Provision for doubtful debts	Percentage attributable to related balance	Carrying amount	Provision for doubtful debts	Percentage attributable to related balance
Other receivables						
Receivables from HEC	283,542	—	0.02%	—	—	—
Receivables from HIPDC	—	—	—	119,589,978	—	10.11%
Receivables from Rizhao Power Company	19,118,470	—	1.16%	—	—	—
Receivables from Alltrust Insurance	3,394,066	—	0.21%	—	—	—
Receivables from Suzhou Thermoelectric	244,816	—	0.01%	—	—	—
Receivables from Tibet Power	876,631	—	0.05%	—	—	—
Receivables from Ruijin Power	194,008,690	—	11.79%	—	—	—
Receivables from Wuhan Power	17,650,205	—	1.07%	—	—	—
Prepayments						
Prepayments to Xi'an Thermal and its subsidiaries	2,247,750	—	0.18%	173,103	—	0.02%
Prepayments to HEC and its subsidiaries	—	—	—	22,164,993	—	2.16%
Prepayments to Rizhao Power Company	73,368,050	—	5.97%	37,711,719	—	3.68%
Construction In Progress						
Prepayments to Xi'an Thermal and its subsidiaries	5,050,700	—	0.02%	17,139,956	—	0.07%
Prepayments to Alltrust Insurance	1,398,635	—	0.01%	—	—	—

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

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

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

	31 December 2010			31 December 2009		
	Carrying amount	Provision for doubtful debts	Percentage attributable to related balance	Carrying amount	Provision for doubtful debts	Percentage attributable to related balance
Construction materials						
Prepayments to HEC and its subsidiaries	112,912,521	–	1.88%	507,490,726	–	5.79%
Prepayments to Xi'an Thermal and its subsidiaries	5,895,250	–	0.10%	7,868,415	–	0.09%
Accounts payable						
Payables to Lime Company	11,662,564	–	0.22%	3,296,123	–	0.08%
Payables to Xi'an Thermal and its subsidiaries	6,340,736	–	0.12%	5,063,900	–	0.12%
Payables to Time Shipping	109,877,034	–	2.06%	179,426,843	–	4.16%
Payables to HEC and its subsidiaries	71,345,774	–	1.34%	64,409,086	–	1.49%
Payables to Inner Mongolia Power	10,302,329	–	0.19%	–	–	–
Payables to Hulunbeier Energy	46,998,894	–	0.88%	–	–	–
Payables to Huating Coal	301,422,655	–	5.64%	–	–	–
Advances from customer						
Advances from Ruijin Power	33,930,621	–	24.64%		–	–
Interest payables						
Interest payables on loans from Huaneng Finance	1,497,651	–	0.26%	3,748,525	–	0.76%
Interest payables on loans from Huaneng Group	1,425,521	–	0.25%	2,451,146	–	0.50%
Interest payables on loans from Huaneng New Energy	–	–	–	560,291	–	0.11%
Interest payables on loans from Huaneng Guicheng Trust	4,513,905	–	0.78%	–	–	–
Other payables						
Payables to HIPDC	33,844,343	–	0.28%	50,799,571	–	0.61%
Payables to Huaneng Group	468,093	–	–	277,798,547	–	3.32%
Payables to Time Shipping	134,855	–	–	134,855	–	–
Payables to other subsidiaries of Huaneng Group	–	–	–	277,011,171	–	3.31%
Payables to Xi'an Thermal and its subsidiaries	75,100,435	–	0.61%	60,575,323	–	0.72%
Payables to HEC and its subsidiaries	22,417,780	–	0.18%	47,334,704	–	0.57%
Payables to Huaneng Group Innovation Center	5,000,000	–	0.04%	41,800,000	–	0.50%
Payables to Alltrust Insurance	7,305	–	–	–	–	–
Tibet Power	2,117,704	–	0.02%	–	–	–
Other current liabilities						
Payables to Huaneng Innovation Centre	40,000,000	–	0.74%	–	–	–

The receivables and payables with related parties above were unsecured, no guarantee and interest free.

In addition, please refer to Notes 5(18) and (27) for loans borrowed from related parties.

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

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

(8) Related party commitments

Related party commitments which were contracted but not recognized in balance sheet as at balance sheet date are as follows:

(a) Capital commitments

	31 December 2010	31 December 2009
Xi'an Thermal and its subsidiaries	**77,895,110**	151,296,704
HEC and its subsidiaries	**207,571,018**	311,606,027
	285,466,128	462,902,731

(b) Fuel purchase commitments

	31 December 2010	31 December 2009
Time Shipping	**480,697,547**	459,518,155
Inner Mongolia Power	**65,320,261**	1,324,500,000
North United Power	**62,406,104**	—
Hulunbeier Energy	**17,974,056**	226,170,593
HEC and its subsidiaries	**891,749,214**	557,425,347
	1,518,147,182	2,567,614,095

(c) Operation lease commitments

	31 December 2010	31 December 2009
HIPDC	**114,391,755**	117,645,137
Huaneng Group	**—**	26,000,000
	114,391,755	143,645,137

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

8. CONTINGENT LIABILITY

Item	31 December 2010 The Company and its subsidiaries	31 December 2010 The Company
Guarantees on the long-term bank loans of TPG	—	15,652,617,425

Guarantees on the long-term bank loans above had no significant financial impact on the operations of the Company.

9. COMMITMENTS

(1) Capital commitments

Expenditure on construction projects which mainly relate to the construction of new power projects and renovation projects which were contracted but not recognized in Balance Sheet as at 31 December 2010 amounted to approximately RMB23.894 billion (31 December 2009: RMB19.438 billion).

On 31 December 2009, the Company entered into an equity interest transfer agreement with Shandong Power and Luneng Development, pursuant to which the Company agreed to acquire from Shandong Power and Luneng Development the Target Equity Interests. As of 31 December 2010, the acquisition of 100% equity interest of Diandong Energy, 100% equity interest of Yuwang Energy, 100% equity interest of Fujian Luoyuanwan Luneng Harbour Limited Liability Company ("Luoyuanwan Harbour"), 58.30% equity interest of Fuzhou Port Luoyuanwan Pier Limited Liability Company ("Luoyuanwan Pier"), 73.46% equity interest of Luoyuan Luneng Ludao Pier Limited Liability Company ("Ludao Pier") were yet to be effective, with an aggregate consideration of RMB7,465 million. The Company had prepaid consideration amounted to RMB3,834,773,515 by 31 December 2010, which was recorded in other non-current assets.

(2) Operating lease commitments

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 2010	31 December 2009
Land and buildings		
Within 1 year	14,566,044	44,098,890
1-2 years	15,013,015	3,253,383
2-3 years	19,563,052	3,253,383
Over 3 years	827,883,526	107,884,990
	877,025,637	158,490,646

9. COMMITMENTS *(Cont'd)*

(2) Operating lease commitments *(Cont'd)*

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 annual rental amount of prior year.

(3) Fuel purchase commitments

As at 31 December 2010, commitments related to coal purchase contracts of the Company and its subsidiaries amounted to approximately RMB13,107 million (31 December 2009: RMB7,242 million).

The Company and its subsidiaries have signed a series of long-term fuel supply arrangement, in order to secure fuel supply until 2028. There are minimum purchase volume and termination terms. These arrangements include:

		2010		2009	
	Period	Purchase volume	Expected unit price RMB	Purchase volume	Expected unit price RMB
PetroChina Company Limited	2011 – 2023	486.9 million M^3/year	1.63/M^3	486.9 million M^3/year	1.43/M^3
Other suppliers	2011 – 2013	175.1 Billion British Thermal Unit ("BBtu")/day	100,000/BBtu	175.1 BBtu/day	100,000/BBtu
	2014	82.5 BBtu/day	100,000/BBtu (a)	17.6 BBtu/day	100,000/BBtu
	2015 – 2023	64.9 BBtu/day	(a)	—	—
	2024 – 2028	42.4 BBtu/day	(a)	—	—

Note:

(a) As the Company and its subsidiaries are not required to commit purchases of one of the contracts until 2014, no unit cost information available for daily purchase quantities of 64.9BBtu and 64.9BBtu and 42.4BBtu during respective period categories of 2014; 2015 – 2023; and 2024 – 2028.

(4) Fulfillment of prior year commitments

The commitments at 31 December 2009 were fulfilled by the Company and its subsidiaries as announced.

10. EVENTS AFTER THE BALANCE SHEET DATE

(1) Profit appropriation after the balance sheet date

	Amount
Dividends planned to appropriate	2,811,076,688

Proposed dividends of RMB2,811,076,688 to all shareholders, according to the Board of Directors Resolution on 29 March 2011, are not recognized as a liability in this financial report (Note 5(33)).

(2) Acquisition after the balance sheet date

In January 2011, with the essential control over the following companies, the Company has completed the acquisitions of 100% equity interest of Diandong Energy, 100% equity interest of Yuwang Energy, 73.46% equity interest of Ludao Pier, 60.25% equity interest of Luoyuanwan Harbour and 58.30% equity interest of Luoyuanwan Pier from Shandong Power, and 39.75% equity interest of Luoyuanwan Harbour from Luneng Development upon obtaining the control over these entities.

The aggregate cash considerations of the above transactions amounted to RMB7,465 million.

In addition, the Company also acquired the remaining 26.54% equity interest of Ludao Pier from the non-controlling shareholders at a consideration of RMB65 million in January 2011.

Upon completion of the acquisitions above, the Company further strengthened its coastal port operations, and expended the geographical coverage to Yunnan Province. Given the acquired entities engaged in different sectors, including port, coal mines and power generation, as at the date of this report, management is in the process of reviewing financial information of acquirees and performing assessments of purchase price allocation of identifiable assets and liabilities acquired as at respective effective acquisition dates, no additional disclosures are made as a result.

(3) Short-term bonds issuance after the balance sheet date

The Company issued unsecured short-term bonds amounting to RMB5 billion bearing annual interest rate of 3.95% on 13 January 2011. Such bonds are denominated in RMB and issued at face value and will mature in 365 days from the issuance date.

11. BUSINESS COMBINATION

Please refer to Notes 4(3).

12. FINANCIAL INSTRUMENTS AND RISKS

Risk management, including the management on the financial risks, is carried out under the instructions 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.

(1) Market risk

(a) 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 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 5(20), (27) for details. The Company and its subsidiaries manage exchange risk through closely monitoring interest and exchange market.

As at 31 December 2010, if RMB had weakened/strengthened by 5% (2009: 5%) against US$ and 3% (2009: 3%) against € with all other variables constant, exchange gain of the Company and its subsidiaries would have been RMB312 million (2009: RMB357 million) and RMB25 million (2009: RMB31 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 2010, if S$ had weakened/strengthened by 10% (2009: 10%) against US$ with all other variables constant, exchange gain of the Company and its subsidiaries would have been RMB121 million (2009: RMB93 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 purchases 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 5(2) for details.

12. FINANCIAL INSTRUMENTS AND RISKS *(Cont'd)*

(1) Market risk *(Cont'd)*

(b) 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 5(8). Being a strategic investment in nature, the Company has a supervisor in the supervisory committee of the investee and exercises influence in safeguarding the interest. The Company also closely monitors 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. In particular, SinoSing Power and its subsidiaries use fuel oil swap to hedge against such a risk and designate them as cash flow hedges. Please refer to Note 5(2) for details.

(c) Cash flow interest rate risk

The interest rate risk of the Company and its subsidiaries primarily arises from long-term 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 5(27) to the financial statements. The Company and its subsidiaries have entered into interest rate swap agreements with banks to hedge against a portion of cash flow interest rate risk.

As at 31 December 2010, if interest rates on RMB-denominated borrowings had been 50 basis points (2009: 50 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB334 million (2009: RMB339 million) higher/lower. If interest rates on US$-denominated borrowings had been 50 basis points (2009: 50 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB14 million (2009: RMB14 million) higher/lower. If interest rates on S$-denominated borrowings had been 100 basis points (2009: 100 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB89 million (2009: RMB150 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.

The Company has entered into a floating-to-fixed interest rate swap agreement to hedge against cash flow interest rate risk of a loan. According to the interest rate swap agreement, the Company agrees with the counterparty to settle the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts quarterly until 2019. In the current year, Tuas Power Generation Pte Ltd. ("TPG") also entered into a number of floating-to-fixed interest rate swap agreements to hedge against cash flow interest rate risk of a loan. According to these interest rate swap agreements, TPG agrees with the counterparty to settle the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amount semi-annually until 2020. Please refer to Note 5(2) for details.

12. FINANCIAL INSTRUMENTS AND RISKS *(Cont'd)*

(2) Credit risk

Credit risk arises from bank deposits, credit exposures to customers, other receivables, other non-current assets and loans to subsidiaries. The maximum exposures of bank deposits, accounts and other receivables are disclosed in Notes 5(1), (3), (4) and (5) to the financial statements, respectively while maximum exposures of loans to subsidiaries are presented on balance sheets.

Bank deposits are placed with reputable banks and financial institutions which are regulated, including which a significant portion 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 bank deposits are disclosed in Note 7(6) 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.

Singapore subsidiaries derive 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. They also derive 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. They hold cash deposits and guarantees from creditworthy financial institutions to secure substantial obligations of the customers.

The concentrations of accounts receivable are disclosed in Note 5(4).

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) 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 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.

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 of derivative financial liabilities are disclosed in Notes 5(27), (28) and (2), respectively.

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

12. FINANCIAL INSTRUMENTS AND RISKS *(Cont'd)*

(4) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(a) Fair value measurements

The following table presents the assets and liabilities of the Company and its subsidiaries that are measured at fair value at 31 December 2010.

	The Company and its subsidiaries			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss *(Note 5(2))*				
— Trading derivatives	—	3,809,826	—	3,809,826
Derivatives used for hedging (5(2))	—	220,300,713	—	220,300,713
Available-for-sale financial assets *(Note 5(8))*				
— Equity securities	1,949,727,308	—	—	1,949,727,308
Total assets	1,949,727,308	224,110,539	—	2,173,837,847
Liabilities				
Financial liabilities at fair value through profit or loss *(Note 5(2))*				
— Trading derivatives	—	2,396,547	—	2,396,547
Derivatives used for hedging *(Note 5(2))*	—	180,077,976	—	180,077,976
Total liabilities	—	182,474,523	—	182,474,523

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

12. FINANCIAL INSTRUMENTS AND RISKS *(Cont'd)*

(4) Fair value estimation *(Cont'd)*

(a) Fair value measurements *(Cont'd)*

The following table presents the assets and liabilities of the Company and its subsidiaries that are measured at fair value at 31 December 2009

	The Company and its subsidiaries			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss (Note 5(2))				
— Trading derivatives	—	(4,122,820)	—	(4,122,820)
Derivatives used for hedging (5(2))	—	190,871,796	—	190,871,796
Available-for-sale financial assets *(Note 5(8))*				
— Equity securities	2,293,998,840	—	—	2,293,998,840
Total assets	2,293,998,840	186,748,976	—	2,480,747,816
Liabilities				
Financial liabilities at fair value through profit or loss *(Note 5(2))*				
— Trading derivatives	—	6,276,225	—	6,276,225
Derivatives used for hedging *(Note 5(2))*	—	7,976,552	—	7,976,552
Total liabilities	—	14,252,777	—	14,252,777

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company and its subsidiaries is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investment in Yangtze Power classified as available for sale.

12. FINANCIAL INSTRUMENTS AND RISKS *(Cont'd)*

(4) Fair value estimation *(Cont'd)*

(a) Fair value measurements *(Cont'd)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The forward exchange contracts and fuel oil swaps are both valued using quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Instruments included in level 2 comprise forward exchange contracts, fuel oil swaps and interest rate swap.

(b) Fair value disclosures

The carrying value less provision for doubtful accounts of accounts receivable, other receivables and assets, accounts payable, other payables, short-term loan and other current liabilities, 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 RMB78.81 billion and approximately RMB14.73 billion as at 31 December 2010 (2009: RMB80.39 billion and RMB14.18 billion), respectively. The aggregate book value of these liabilities was approximately RMB78.97 billion and RMB13.83 billion as at 31 December 2010 (2009: RMB80.52 billion and RMB13.80 billion), respectively.

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(Prepared in accordance with PRC Accounting Standards)

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

13. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	31 December 2009	Gain/(Loss) from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment	31 December 2010
Financial assets –					
Financial assets at fair value through profit or loss	186,748,976	7,917,427	—	—	224,110,539
Available-for-sale financial assets	2,293,998,840	—	(344,271,532)	—	1,949,727,308
Subtotal	2,480,747,816	7,917,427	(344,271,532)	—	2,173,837,847
Financial liabilities –					
Financial liabilities at fair value through profit or loss	14,252,777	(4,092,356)	—	—	182,474,523

14. FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCY

	31 December 2009	Gain/(Loss) from changes in fair value	Accumulated changes in fair value recognized in equity	Provision for impairment	31 December 2010
Financial assets –					
Financial assets at fair value through profit or loss	186,748,976	7,917,427	—	—	224,110,539
Loans and receivables	3,045,522,687	—	—	—	1,367,368,670
Subtotal	3,232,271,663	7,917,427	—	—	1,591,479,209
Financial liabilities –					
Financial liabilities at fair value through profit or loss	14,252,777	(4,092,356)	—	—	182,474,523
Loans and payables	24,169,568,455	—	—	—	23,713,024,160
Subtotal	24,183,821,232	(4,092,356)	—	—	23,895,498,683

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

15. NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS

(1) Accounts receivable

	31 December 2010	31 December 2009
Accounts receivable	**5,186,802,524**	5,231,868,409
Less: Provision for doubtful accounts	**—**	—
	5,186,802,524	5,231,868,409

(a) The ageing analysis of accounts receivable is as follows:

	31 December 2010	31 December 2009
Within 1 year	**5,186,802,524**	5,227,867,459
1-2 years	**—**	4,000,950
	5,186,802,524	5,231,868,409

(b) As at 31 December 2010, the individually significant (over 10% of accounts receivable balance) accounts receivable of the Company totaled RMB3,450,881,291 (31 December 2009: RMB3,613,755,275), representing 66.53% (31 December 2009: 69.07%) of total accounts receivable. There was no bad debt provision made on these accounts receivable based on the assessment as at 31 December 2010 (31 December 2009: Nil).

(c) There was no accounts receivable written off during 2010 (2009: Nil).

(d) As at 31 December 2010, there was no accounts receivable from shareholders who held 5% or more of the equity interest in the Company (31 December 2009: Nil).

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

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

(1) Accounts receivable *(Cont'd)*

(e) As at 31 December 2010, the five largest accounts receivable of the Company is analyzed as follows:

	Relationship	Amount	Ageing	Percentage
Zhejiang Electric Power Corporation	Non-related party	1,063,382,475	Within 1 year	20.50%
Guangdong Grid Company	Non-related party	978,527,953	Within 1 year	18.87%
Shandong Power	Non-related party	856,513,739	Within 1 year	16.51%
Liaoning Electric Power Corporation	Non-related party	552,457,125	Within 1 year	10.65%
Fujian Electric Power Company	Non-related party	444,877,478	Within 1 year	8.58%
		3,895,758,770		75.11%

(f) As at 31 December 2010, there was no accounts receivable from related party in the Company (31 December 2009: Nil).

(g) As at 31 December 2010, accounts receivable (within one year and no provision) of the Company approximately RMB1,513,050,207 (2009: RMB1,031,926,931) was secured to a bank as collateral against a short-term loan of RMB1,389,449,751 (2009: RMB698,361,762)

(2) Other receivables

	31 December 2010	31 December 2009
Receivable from Administration Center of Housing Fund for sales of staff quarters	**14,984,890**	14,984,890
Staff advances	**6,476,822**	6,617,989
Services fees from subsidiaries and prepayments to projects	**75,760,037**	85,689,508
Prepayments for investment	**436,440,000**	450,000,000
Receivables from subsidiaries for repairs and maintenance services rendered	**11,121,050**	2,890,641
Receivables from subsidiaries for fuel and materials	**225,081,621**	217,212,195
Receivables from subsidiaries for interests and prepayments for subsidiaries	**164,921,273**	23,830,857
Others	**307,308,175**	304,180,133
Subtotal	**1,242,093,868**	1,105,406,213
Less: Provision for doubtful accounts	**(17,812,730)**	(17,851,036)
	1,224,281,138	1,087,555,177

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

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

(2) Other receivables *(Cont'd)*

(a) The ageing analysis of other receivable is as follows:

	31 December 2010	31 December 2009
Within 1 year	**783,566,189**	954,997,252
1-2 years	**309,409,090**	98,252,143
2-3 years	**97,570,498**	518,098
3-4 years	**250,898**	11,661,930
4-5 years	**11,406,022**	4,178,904
Over 5 years	**39,891,171**	35,797,886
	1,242,093,868	1,105,406,213

(b) As at 31 December 2010, the individually significant (over 10% of other receivables balance) other receivables of the Company amounted to RMB636,122,894 (31 December 2009: RMB574,212,195), representing 51.21% (31 December 2009: 51.95%) of the total other receivables. There was no bad debt provision made on these other receivables based on the assessment as at 31 December 2010(31 December 2009: Nil).

(c) As at 31 December 2010, the provision for doubtful accounts on other receivables which were individually insignificant but tested for impairment on an individual basis are as follows:

	Amount	Provision for doubtful accounts	Percentage
Dalian Development Zone, Trust and Investment Corporation	4,700,000	4,700,000	100.00%
Hebei Convention and Exhibition Center	5,000,000	5,000,000	100.00%
Heshun Company	1,000,000	1,000,000	100.00%
Xiangtan Branch of China Construction Bank	1,157,313	1,074,612	92.85%
Huaxing Company	2,576,874	2,576,874	100.00%
Others	10,338,121	3,461,244	33.48%
	24,772,308	17,812,730	

* The Company and its subsidiaries have provided for this receivable based on the operating and financial situation of local customers.

(d) There was no other receivable written off during 2010 (2009: Nil).

(e) As at 31 December 2010, there was no other receivable from shareholders who held 5% or more of the equity interest in the Company (31 December 2009: Nil).

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

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

(2) Other receivables *(Cont'd)*

(f) As at 31 December 2010, the top five other receivables of the Company are as follows:

	Relationship	Amount	Ageing	Percentage
Diandong Energy	Non-related Party	246,120,000	Within one year	19.81%
Xindian II Power Company	A subsidiary of the Company	225,081,621	Within one year	18.12%
Shidongkou Power Company	A subsidiary of the Company	164,921,273	Within two years	13.28%
Yuwang Energy	Non-related Party	97,320,000	Within one year	7.84%
Taicang II Power Company	A subsidiary of the Company	63,000,000	2-3 years	5.07%
		796,442,894		64.12%

(g) There were no other receivables from related parties except for receivables from Rizhao Power Company and the subsidiaries of the Company (31 December 2009: There were no other receivables from related parties except for receivables from HIPDC and the subsidiaries of the Company).

(3) Long-term equity investments

	31 December 2010	31 December 2009
Subsidiaries (a)	**26,247,174,851**	20,676,720,025
A jointly controlled entity	**1,058,000,000**	—
Associates		
– Quoted prices not available	**10,620,451,730**	9,258,982,708
Other long-term equity investments	**269,890,133**	269,890,133
Less: Impairment provision for long-term equity investments	**(214,940,210)**	(214,940,210)
	37,980,576,504	29,990,652,656

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

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

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

(a) Long-term equity investments in subsidiaries *(Cont'd)*

	Accounting Method	The initial investment cost	31 December 2009	Addition of current year	31 December 2010	Percentage of equity interest	Percentage of voting rights	Provision	Provision of current year	Dividends declared
Weihai Power Company	Cost Method	718,241,793	574,038,793	144,203,000	**718,241,793**	60%	60%	–	–	–
Taicang Power Company	Cost Method	474,896,560	469,706,560	5,190,000	**474,896,560**	75%	75%	–	–	–
Huaiyin Power Company	Cost Method	760,884,637	760,884,637	–	**760,884,637**	100%	100%	(208,851,967)	–	–
Huaiyin II Power Company	Cost Method	592,403,600	592,403,600	–	**592,403,600**	63.64%	63.64%	–	–	–
Yushe Power Company	Cost Method	374,449,895	374,449,895	–	**374,449,895**	60%	60%	–	–	–
Qinbei Power Company	Cost Method	1,169,725,722	977,325,722	192,400,000	**1,169,725,722**	60%	60%	–	–	–
Xindian II Power Company	Cost Method	442,320,000	442,320,000	–	**442,320,000**	95%	95%	–	–	–
Taicang II Power Company	Cost Method	603,110,000	603,110,000	–	**603,110,000**	75%	75%	–	–	(136,033,920)
Yueyang Power Company	Cost Method	682,984,838	622,984,838	60,000,000	**682,984,838**	55%	55%	–	–	(20,149,030)
Luohuang Power Company	Cost Method	1,281,418,249	1,249,218,249	32,200,000	**1,281,418,249**	60%	60%	–	–	–
Shanghai Combined Cycle Power Company	Cost Method	489,790,000	489,790,000	–	**489,790,000**	70%	70%	–	–	(94,500,000)
Pingliang Power Company	Cost Method	946,317,154	917,717,154	28,600,000	**946,317,154**	65%	65%	–	–	–
Jinling Power Company	Cost Method	1,288,640,502	1,172,760,502	115,880,000	**1,288,640,502**	60%	60%	–	–	(51,943,080)
Fuel Company	Cost Method	200,000,000	200,000,000	–	**200,000,000**	100%	100%	–	–	–
SinoSing Power	Cost Method	7,841,267,424	7,069,292,849	771,974,575	**7,841,267,424**	100%	100%	–	–	–
Shidongkou Power Company	Cost Method	495,000,000	495,000,000	–	**495,000,000**	50%	50%	–	–	–
Daditaihong	Cost Method	192,142,000	122,692,000	69,450,000	**192,142,000**	100%	100%	–	–	–
Nantong Power Company	Cost Method	546,000,000	546,000,000	–	**546,000,000**	70%	70%	–	–	–
Yingkou Port	Cost Method	360,117,500	360,117,500	–	**360,117,500**	50%	50%	–	–	–
Xiangqi Hydropower	Cost Method	180,000,000	100,000,000	80,000,000	**180,000,000**	100%	100%	–	–	–
Qidong Wind Power	Cost Method	173,284,837	128,044,837	45,240,000	**173,284,837**	65%	65%	–	–	–

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

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

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

(a) Long-term equity investments in subsidiaries *(Cont'd)*

	Accounting Method	The initial investment cost	31 December 2009	Addition of current year	31 December 2010	Percentage of equity interest	Percentage of voting rights	Provision	Provision of current year	Dividends declared
Beijing Cogeneration	Cost Method	776,926,953	776,926,953	–	**776,926,953**	41%	66%	–	–	(74,000,900)
Yangliuqing Power Company	Cost Method	798,935,936	796,935,936	2,000,000	**798,935,936**	55%	55%	–	–	–
Yingkou Cogeneration	Cost Method	830,000,000	830,000,000	–	**830,000,000**	100%	100%	–	–	–
Zhuozhou Liyuan	Cost Method	5,000,000	5,000,000	–	**5,000,000**	100%	100%	–	–	–
Zuoquan Coal-fired Power Company	Cost Method	520,786,200	–	520,786,200	**520,786,200**	80%	80%	–	–	–
Kangbao Wind Power	Cost Method	343,720,000	–	343,720,000	**343,720,000**	100%	100%	–	–	–
Jiuquan Wind Power	Cost Method	1,853,357,551	–	1,853,357,551	**1,853,357,551**	100%	100%	–	–	–
Zhanhua Cogeneration	Cost Method	408,127,900	–	408,127,900	**408,127,900**	100%	100%	–	–	–
Qingdao Port	Cost Method	455,963,800	–	455,963,800	**455,963,800**	100%	100%	–	–	–
Luneng Sea Transportation	Cost Method	155,895,400	–	155,895,400	**155,895,400**	53%	53%	–	–	–
Jilin Biological	Cost Method	139,886,400	–	139,886,400	**139,886,400**	100%	100%	–	–	–
Rudong Wind Power	Cost Method	22,950,000	–	22,950,000	**22,950,000**	90%	90%	–	–	–
Haimen Port	Cost Method	10,000,000	–	10,000,000	**10,000,000**	100%	100%	–	–	–
Wafangdian Wind Power	Cost Method	62,630,000	–	62,630,000	**62,630,000**	100%	100%	–	–	–
Changtu Wind Power	Cost Method	50,000,000	–	50,000,000	**50,000,000**	100%	100%	–	–	–
			20,676,720,025	5,570,454,826	**26,247,174,851**			(208,851,967)	–	(376,626,930)

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

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

(4) Operating revenue and operating cost

	2010		2009	
	Revenue	Cost	Revenue	Cost
Principal operations	52,625,005,734	46,869,893,235	42,875,790,794	35,556,409,855
Other operations	253,509,760	92,201,353	691,141,274	342,533,472
Total	52,878,515,494	46,962,094,588	43,566,932,068	35,898,943,327

The principal operations of the Company are mainly sales of power and heat.

Details of the principal operating revenue and cost categorized by products are as follows:

	2010		2009	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Power and heat	52,625,005,734	46,869,893,235	42,875,790,794	35,556,409,855

The principal operating revenue of the Company was all sales of power and was occurred in China.

Other operating revenue and cost are as follows:

	2010		2009	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Sales of materials and steam	42,214,421	39,367,773	274,583,377	291,778,628
Others	211,295,339	52,833,580	416,557,897	50,754,844
Total	253,509,760	92,201,353	691,141,274	342,533,472

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

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

(4) Operating revenue and operating cost *(Cont'd)*

For the year ended 31 December 2010, the principal operating revenue from the five largest customers of the Company amounted to RMB38,217,611,098 (2009: RMB31,568,687,701), representing 72.27% (2009: 72.46%) of the total principal operating revenue. Details of operating revenue are as follows:

	Operating revenue	Percentage in total operating revenue
Shandong Power	9,745,308,670	18.43%
Zhejiang Electric Power Corporation	9,178,464,595	17.36%
Guangdong Grid Company	7,771,220,444	14.70%
Liaoning Electric Power Corporation	6,661,336,312	12.60%
Shanghai Electric Power Corporation	4,861,281,077	9.18%
	38,217,611,098	72.27%

(5) Investment income

	2010	2009
Gains from available-for-sale financial assets	**63,577,786**	37,062,848
Shares of net profit of investees accounted for under equity method (a)	**570,036,402**	751,164,180
Dividends declared by investees accounted for under cost method	**376,626,930**	126,969,700
	1,010,241,118	915,196,728

(a) Investment income from long-term equity investment under equity method

Investees from which investment income of the Company account for more than 5% of the total profit, or investees accounting for the top five of the total profit of the Company and its subsidiaries are listed as follows:

	2010	2009
SEG	**218,388,058**	310,177,500
Sichuan Hydropower Company	**273,813,997**	204,903,309
SEC	**120,859,756**	176,771,486
Huaneng Finance	**66,240,899**	88,291,123
Hanfeng Power Company	**(61,544,406)**	779,125
	617,758,304	780,922,543

The reason for the variance is the changes of performance of the investees.

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

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

(6) Other comprehensive income

	2010	2009
Available-for-sale financial assets		
– (Losses)/Gains in current period	**(344,271,532)**	1,031,956,065
Less: Income tax impact	**86,067,882**	(257,989,016)
Subtotal	**(258,203,650)**	773,967,049
Shares in investees' other comprehensive income under equity method	**(41,787,118)**	11,438,276
Less: Income tax impact	**5,959,389**	(2,931,650)
Subtotal	**(35,827,729)**	8,506,626
Hedging instruments of cash flow hedge	**(198,656,283)**	23,732,328
Add: Transfer from other comprehensive income recorded to the income statements in current period	**76,912,159**	15,853,554
Less: Income tax impact	**30,436,031**	(9,896,468)
Subtotal	**(91,308,093)**	29,689,414
Other	**—**	13,501,900
Less: Income tax impact	**—**	(2,323,164)
Subtotal	**—**	11,178,736
Total	**(385,339,472)**	823,341,825

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

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

(7) Supplementary information on cash flow statement

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

	2010	2009
Net profit	2,379,696,297	3,819,142,036
Add: (Decrease in)/Provision for assets impairment	(50,542)	581,837,575
Depreciation of fixed assets	5,196,679,872	4,951,169,384
Amortization of intangible assets	54,817,813	44,117,041
Amortization of long-term deferred expenses	2,884,876	476,447
Losses on disposal of fixed assets and intangible assets	37,628,531	50,385,306
Financial expenses	2,691,425,324	2,614,331,995
Investment income	(1,010,241,118)	(915,196,728)
Amortization of deferred income	(155,847,274)	(146,176,156)
Increase in deferred income tax assets	(278,924,861)	(257,854,838)
Increase/(Decrease) in deferred income tax liabilities	116,503,914	(277,405,230)
(Increase)/Decrease in inventories	(669,061,013)	1,114,308,524
Increase in operating receivable items	(20,667,519)	(1,150,017,241)
Increase/(Decrease) in operating payable items	784,624,671	(545,137,474)
Net cash flows generated from operating activities	9,129,468,971	9,883,980,641

(b) Change in cash and cash equivalents

	2010	2009
Cash at end of the year	4,943,416,847	1,276,282,336
Less: Cash at beginning of the year	(1,276,282,336)	(1,525,591,653)
Net increase/(decrease) in cash	3,667,134,511	(249,309,317)

(c) Cash and cash equivalents

	31 December 2010	31 December 2009
Cash—		
Cash on hand	827,689	662,958
Cash in bank	5,018,764,271	1,460,906,535
Subtotal	5,019,591,960	1,461,569,493
Less: Restricted cash*	(76,175,113)	(185,287,157)
Cash and cash equivalents at end of the year	4,943,416,847	1,276,282,336

* Restricted cash is mainly letter of credit deposit.

Supplemental Information to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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

1. DETAILS FOR NON-RECURRING ITEMS

	2010	2009
Net gain/(loss) from disposal of non-current assets	32,118,807	(61,965,607)
Government grants recorded in the profit and loss	437,898,340	214,622,151
Net loss of subsidiaries acquired from business combination under common control	—	(11,928,403)
The gain on fair value change of held-for-trading financial assets and liabilities (excluding effective hedging instruments related to operating activities of the Company) and disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets	8,286,421	(14,025,435)
Reversal of provision for doubtful accounts receivable individually tested for impairments	2,756,378	3,517,570
Non-operating income and expenses excluding items above	(6,329,249)	(36,249,590)
Other items recorded in the profit and loss in accordance with the definition of non-recurring items	—	(629,672,883)
	474,730,697	(535,702,197)
Impact of tax	(53,094,366)	118,127,963
Impact of minority interests (after Tax)	(100,487,059)	(49,469,303)
	321,149,272	(467,043,537)

Basis of preparing breakdown of non-recurring items

In accordance with "Interpretation on Information Disclosures of Listed Companies No. 1 – Non-recurring Items [2008]" promulgated by China Securities Regulatory Commission, 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.

Supplemental Information to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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

2. FINANCIAL STATEMENTS RECONCIALIATION

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 consolidated profit and net assets of the Company, are summarized as follows:

	Net Profit		Net Assets	
	2010	2009	**31 December 2010**	31 December 2009
Under PRC GAAP	**3,544,304,422**	5,080,996,564	**52,891,269,202**	41,015,519,318
Impact of IFRS adjustments:				
Effect of reversal of the recorded amounts received in advance of previous years (a)	**10,418,208**	4,571,482	**(819,478,392)**	(829,896,600)
Amortization of the difference in the recognition of housing benefits of previous years (b)	**(17,233,504)**	(32,743,605)	**(130,351,352)**	(113,117,848)
Difference on depreciation related to borrowing costs capitalized in previous years (c)	**(30,139,156)**	(30,139,156)	**374,409,447**	404,548,603
Differences in accounting treatment on business combinations under common control (d)	**—**	13,573,403	**3,574,683,853**	3,582,881,564
Difference in depreciation and amortization of assets acquired in business combinations under common control (d)	**(417,700,329)**	(286,276,098)	**(1,354,896,791)**	(937,196,462)
Applicable deferred income tax impact of the GAAP differences above (e)	**73,370,584**	41,308,143	**54,622,178**	(18,748,406)
Others	**22,370,884**	6,750,354	**(132,733,257)**	(157,232,250)
Profit attributable to minority interests on the adjustments above	**162,592,976**	131,502,451	**(668,392,193)**	(822,574,833)
Under IFRS	**3,347,984,085**	4,929,543,538	**53,789,132,695**	42,124,183,086

(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 payments in advance in the previous years (calculated at 1% of the original cost of fixed assets) as the major repair 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.

2. FINANCIAL STATEMENTS RECONCIALIATION *(Cont'd)*

(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.

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

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 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.

2. FINANCIAL STATEMENTS RECONCIALIATION *(Cont'd)*

(d) Differences in accounting treatment on business combinations under common control *(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. 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. 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.

(e) Deferred income tax impact on GAAP differences

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

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

3. RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share (RMB/Share) Basic earnings per share		Diluted earnings per share	
	2010	2009	**2010**	2009	**2010**	2009
Net profit attributable to shareholders of the Company	**8.53**	12.67	**0.29**	0.42	**0.29**	0.42
Net profit attributable to shareholders of the Company (excluding non-recurring items)	**7.76**	13.84	**0.27**	0.46	**0.27**	0.46

4. EXPLANATION OF THE VARIANCES AND REASONS OF PRINCIPLE FINANCIAL STATEMENT ACCOUNTS

Comparing the consolidated balance sheet of 31 December 2010 and 31 December 2009, and the consolidated income statement for the year ended 31 December 2010 and 2009, the items with significant variances are as below:

	31 December 2010	31 December 2009	Variance Amount	%
Cash (1)	**9,547,908,196**	5,452,049,814	4,095,858,382	75.13%
Notes receivable (2)	**636,542,203**	351,630,301	284,911,902	81.03%
Other receivables (3)	**1,602,901,561**	1,183,405,939	419,495,622	35.45%
Current portion of non-current assets (4)	**101,332,688**	19,547,650	81,785,038	418.39%
Other current assets (5)	**80,988,696**	46,123,151	34,865,545	75.59%
Derivative financial assets –Current portion	**132,632,360**	141,885,707	(9,253,347)	–6.52%
Derivative financial assets –Non-current portion	**91,478,179**	44,863,269	46,614,910	103.90%
Derivative financial assets –Total (6)	**224,110,539**	186,748,976	37,361,563	20.01%
Long-term receivables (4)	**709,559,946**	—	709,559,946	100.00%
Fixed assets pending for disposal (7)	**86,995,876**	—	86,995,876	100.00%
Construction materials (8)	**6,014,979,607**	8,764,873,990	(2,749,894,383)	–31.37%
Deferred income tax assets (9)	**867,182,843**	547,664,305	319,518,538	58.34%
Other non-current assets (10)	**3,942,073,515**	232,537,231	3,709,536,284	1,595.24%
Short-term loans (11)	**44,047,183,998**	24,729,816,119	19,317,367,879	78.11%
Derivative financial liabilities –Current portion	**86,611,751**	13,403,141	73,208,610	546.20%
Derivative financial liabilities –Non-current portion	**95,862,772**	849,636	95,013,136	11,182.80%
Derivative financial liabilities –Total (12)	**182,474,523**	14,252,777	168,221,746	1,180.27%

Supplemental Information to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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

4. EXPLANATION OF THE VARIANCES AND REASONS OF PRINCIPLE FINANCIAL STATEMENT ACCOUNTS *(Cont'd)*

Comparing the accounts of consolidated balance sheet of 31 December 2010 and 31 December 2009 and of the consolidated income statement for the year ended 31 December 2010 and 2009, the items with significant variances are as below: *(Cont'd)*

	31 December 2010	31 December 2009	Variance Amount	Variance %
Advance from customers (13)	**137,725,313**	102,728,785	34,996,528	34.07%
Taxes payable (14)	**(2,017,347,239)**	(1,544,137,768)	(473,209,471)	30.65%
Dividends payable (15)	**79,680,686**	20,733,907	58,946,779	284.30%
Other payables (16)	**12,237,135,183**	8,374,609,135	3,862,526,048	46.12%
Current portion of non-current liabilities (17)	**13,782,550,038**	9,250,248,143	4,532,301,895	49.00%
Other current liabilities (18)	**5,439,065,424**	10,442,145,076	(5,003,079,652)	–47.91%
Long-term payables (19)	**83,223,484**	23,858,743	59,364,741	248.82%
Capital surplus (1)	**17,746,199,069**	9,349,129,414	8,397,069,655	89.82%
Currency translation differences (20)	**93,404,864**	(362,067,301)	455,472,165	–125.80%

	For the year ended 31 December 2010	For the year ended 31 December 2009	Variance Amount	Variance %
Operating revenue (21)	**104,307,701,910**	79,742,330,872	24,565,371,038	30.81%
Operating cost (22)	**(92,818,451,828)**	(66,961,169,769)	(25,857,282,059)	38.62%
Assets impairment loss (23)	**(29,271,676)**	(658,796,122)	629,524,446	–95.56%
Gain/(Loss) from changes in fair value (24)	**11,850,976**	(33,637,701)	45,488,677	–135.23%
Non-operating income (25)	**564,992,494**	278,927,428	286,065,066	102.56%
Non-operating expenses (26)	**(93,777,590)**	(162,520,474)	68,742,884	–42.30%
Income tax expense (27)	**(913,095,748)**	(656,691,499)	(256,404,249)	39.04%
Net profit attributable to shareholders of the Company (28)	**3,544,304,422**	5,080,996,564	(1,536,692,142)	–30.24%
Net profit attributable to Minority interests (29)	**136,023,739**	312,147,425	(176,123,686)	–56.42%

(1) The balance of cash and capital surplus of the Company and its subsidiaries increased comparing with last year end, mainly due to the capital injection received in cash for the issue of shares.

(2) The balance of notes receivable of the Company and its subsidiaries increased comparing with last year end, mainly due to expansion of operations.

(3) Other receivables of the Company and its subsidiaries increased comparing with last year end, mainly due to receivables relating to sales of fuel.

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

4. EXPLANATION OF THE VARIANCES AND REASONS OF PRINCIPLE FINANCIAL STATEMENT ACCOUNTS *(Cont'd)*

(4) Current portion of non-current assets and long-term receivables of the Company and its subsidiaries increased comparing with last year end, mainly due to financial lease arrangement of subsidiaries.

(5) Other current assets of the Company and its subsidiaries increased comparing with last year end, mainly due to the income tax paid in advance.

(6) Derivative financial assets of the Company and its subsidiaries increased comparing with last year end, mainly due to the rising value of fuel hedge instruments consequent to the increase in fuel price.

(7) Fixed assets pending for disposal of the Company and its subsidiaries increased comparing with last year end, mainly due to the disposal of buildings and generators already shut down by subsidiaries.

(8) Construction materials of the Company and its subsidiaries decreased comparing with last year end, mainly due to the decline in major prepayments for equipment and consumption of construction materials.

(9) Deferred income tax of the Company and its subsidiaries increased comparing with last year end, mainly due to the deferred income tax increase derived from the increase in fair value of derivative financial instruments and accrued expenses.

(10) Other non-current assets of the Company and its subsidiaries increased comparing with last year end, mainly due to the increase of prepaid acquisition considerations.

(11) Short-term loans of the Company and its subsidiaries increased comparing with last year end, mainly due to expansion of operations.

(12) Derivative financial liabilities of the Company and its subsidiaries increased comparing with last year end, mainly due to the decline of the fair value of forward exchange hedging contracts and interest rate swap contracts.

(13) Advances from customers of the Company and its subsidiaries increased comparing with last year end, mainly due to advance of heat supply.

(14) Taxed payable of the Company and its subsidiaries decreased comparing with last year end, mainly due to the increase of deductible tax input VAT.

(15) Dividends payable of the Company and its subsidiaries increased comparing with last year end, mainly due to dividends declared but not yet paid by subsidiaries of the Company.

(16) Other payables of the Company and its subsidiaries increased comparing with last year end, mainly due to the increase in payables for equipment purchases and constructions.

Supplemental Information to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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

4. EXPLANATION OF THE VARIANCES AND REASONS OF PRINCIPLE FINANCIAL STATEMENT ACCOUNTS *(Cont'd)*

(17) Current portion of non-current liabilities the Company and its subsidiaries increased comparing with last year end, mainly due to the increase in long-term borrowings due within one year.

(18) Other current liabilities of the Company and its subsidiaries decreased comparing with last year end, mainly due to the decline of outstanding short-term bonds.

(19) Long-term payables of the Company and its subsidiaries increased comparing with last year end, mainly due to the increase of security deposits received from subsidiaries related customers, which will be returned when the long-term contracts expire.

(20) Foreign currency translation differences of the Company and its subsidiaries decreased comparing with last year end, mainly due to fluctuations of the exchange rates.

(21) Operating revenue of the Company and its subsidiaries increased comparing with last year, mainly due to expansion of operations.

(22) Operating cost of the Company and its subsidiaries increased comparing with last year, mainly due to the rising fuel price and expanding operations.

(23) Assets impairment loss of the Company and its subsidiaries decreased comparing with last year, mainly due to higher fixed assets impairment provision on generators shut-down in 2009.

(24) Gain from changes in fair value of the Company and its subsidiaries increased comparing with last year, mainly due to changes in the fair value of the fuel hedging contracts in subsidiaries of the Company.

(25) Non-operating income of the Company and its subsidiaries increased comparing with last year, mainly due to the increase in the amortization of VAT refund on purchase of domestically-manufactured equipment and environmental subsidy.

(26) Non-operating expenses of the Company and its subsidiaries decreased comparing with last year, mainly due to the decrease in losses on fixed assets disposals.

(27) Income tax expenses of the Company and its subsidiaries increased comparing with last year, mainly due to utilization of deductible tax loss with no deferred income tax assets recognized last year.

(28) Net profit attributable to shareholders of the Company decreased comparing with last year, mainly due to lower net profit resulting from the increase of fuel price.

(29) Net profit attributable to Minority interests of the Company and its subsidiaries decreased comparing with last year, mainly due to the lower profit this year.

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