



華能國際電力股份有限公司

HUANENG POWER INTERNATIONAL, INC.

(a Sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 902)

2006 Interim Results Announcement

Power generation:	73.424 billion kWh
Consolidated operating revenue:	RMB19.835 billion
Profit attributable to the equity holders of the Company:	RMB2.167 billion
Earnings per share:	RMB0.18

The Board of Directors of Huaneng Power International, Inc. (the "Company") announces the unaudited operating results for the six months ended 30th June 2006 (the "Accounting Period") and a comparison with the operating results for the same period of 2005. For the six months ended 30th June 2006, the Company recorded operating revenue of RMB19.835 billion and profit attributable to the equity holders of the Company of RMB2.167 billion, representing an increase of 5.20% and 29.04%, respectively, as compared to the same period of last year. Earnings per share was RMB0.18 and net asset value per share (excluding minority interests) was RMB3.25.

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

BUSINESS REVIEW FOR THE FIRST HALF OF THE YEAR

During the first half of 2006, the national economy continued to maintain steady and relatively fast growth which brought about a rapid increase in power demand. During the first half of the year, there was a significant number of newly added power generation capacity nationwide and power shortage was further eased. On the other hand, rainfalls in various regions were higher than last year generally and the average utilisation hours of thermal power generating units nationwide decreased accordingly.

Through diligent work, the management and staff of the Company achieved satisfactory operating results under the unfavourable conditions including declining load rates of generating units, rising coal contract prices and surging costs in railway transportation.

1. POWER GENERATION

During the first half of the year, the power plants of the Company achieved power generation totalling 73.424 billion kWh on a consolidated basis, representing an increase of 2.2% over the same period last year. The growth of power generation was mainly attributable to the stable generation capacity contributed by the new generating units at Shantou Power Plant, Taicang Power Plant, Yueyang Power Plant, Shanghai Combined Cycle Power Plant and Sichuan Hydro Power. On the other hand, continued growth of power demand in the regions where the Company's power plants are located and the sound and stable operations of the Company's generating units also provided favorable conditions for the Company to boost its power generation.

2. COST CONTROL

During the first half of the year, the supply and demand of thermal coal was basically balanced and the inventory level in the market increased. Overall speaking, thermal coal prices remained at a high level and market prices of coal fluctuated within a small range and recorded a slight decline. The Company made proper analysis of the coal supply and demand situation, closely monitoring market price trends and effectively controlled purchase prices. Accordingly, the unit price of the Company's standard coal during the first half of the year was lower than that of the same period of last year. The unit fuel cost of the Company was RMB155.98/MWh, a decrease of 1.67% when compared to the same period of last year.

3. PROJECT DEVELOPMENT AND CONSTRUCTION

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

- Up to 15th August 2006, 2 x 600MW coal-fired generating units at Taicang Power Plant, 2 x 300MW coal-fired generating units at Yueyang Power Plant, 3 x 390MW combined-cycle generating units at Shanghai Combined Cycle Power Plant and 1 x 80MW unit at Sichuan Hydro Power have all commenced their commercial operations. As a result, newly added generation capacity on an equity basis reached 2,077.8 MW, raising the Company's generation capacity on an equity basis to 24,533 MW;
- The projects of Huaneng Shangan Power Plant Phase III (2x600MW coal-fired generating units) and Huaneng Huaiyin Power Plant III (2x330MW coal-fired generating units) have been approved by the State while the Fujiang Hongyan Project (2x12MW generating units) has already obtained the approval from Sichuan Provincial government;
- The projects-under-construction and other proposed projects of the Company progressed smoothly.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

For the second half of 2006, there are opportunities and challenges for the Company. On the one hand, a large number of new generating units will commence operations nationwide during the second half of the year and the country's power shortage is easing considerably and therefore the utilisation hours of thermal power generation will still decline. On the other hand, a new round of policies on the Coal-electricity Price Linkage Mechanism has been promulgated and the tariff levels of the Company will increase accordingly. Basically, the balance in supply and demand of coal nationwide created favorable conditions for the Company to control fuel costs. The Company has full confidence in seizing the opportunities and tackling the challenges to fully complete various tasks for this year.

The main tasks for the second half of the year include:

- to ensure safe operation of all power plants and to strive to increase power generation;
- to reinforce sales and marketing efforts, to further implement the tariff policy and to strive to raise the average tariff settlement level;
- to strengthen fuel cost control and to contain the range of increase in unit fuel costs;
- to ensure the project-under-construction to commence operation on schedule and to push forward the preliminary work of other proposed projects.

OPERATING RESULTS

I. Comparison and Analysis of Operating Results

Comparison of operating results between the first half of 2006 and 2005.

Summary

During the first half of 2006, the power generation capacity of the Company was raised through putting new generating units into commercial operations as scheduled, and contributed to an increase in units of electricity sold by 6.20%. The utilization hours of our existing power plants at certain regions declined slightly as a result of relaxation of intense power supply and demand situation in these regions. This led to a decrease in units of electricity sold by 3.97%. Overall, the units of electricity sold increased by 2.23% from the same period of last year.

Meanwhile, as a result of the first wave of the "coal-electricity price linkage mechanism" (the "Mechanism") effective from May 2005, the average settlement tariff rates of the original power plants have increased by RMB9.79 per Mwh, amounting to RMB335.31 per Mwh.

The Company has taken various measures in controlling the fuel cost which contributed to a decrease of average fuel cost per units of electricity sold by 1.67%.

The above factors contributed to an increase in operating revenue and profit attributable to equity holders of the Company of the first half of 2006 by 5.20% and 29.04% respectively.

1. Operating revenue and sales tax

Operating revenue represents receivable from electricity sold net of amounts received in advance. For the first half of 2006, consolidated operating revenue of the Company and its subsidiaries amounted to approximately RMB19.835 billion, representing an increase of 5.20% from approximately RMB18.855 billion for the same period of last year.

The increase in operating revenue was attributable to the new generating units putting into commercial operations. The newly operating generating units (including Shantou Coal-Fired Phase II, Yueyang Phase II, Taicang Phase II and Shanghai Combined Cycle Power Plant) and the increase of the average settlement tariff rates of the original coal fired power plants as a result of implementation of the Mechanism in May 2005 have led to increases of consolidated operating revenue by approximately RMB1.444 billion and RMB296 million, respectively. The decrease in units of electricity sold of original coal fired power plants have contributed to a decrease of the consolidated operating revenue by approximately RMB816 million.

The average settlement tariff rates of the Company and its subsidiaries for the first half of 2006 was RMB335.31 per Mwh, representing an increase of 3.01% from RMB325.52 per Mwh for the same period of last year. Such an increase was primarily due to the increase of the average settlement tariff rates following the implementation of the Mechanism in May 2005.

Sales tax mainly consists of additional levies on value-added tax ("VAT"). According to relevant administrative regulations, such additional taxes include the education surcharge and city construction tax. Such additional taxes are computed based on a specified percentage of actual VAT payments made by the Company. Such taxes are currently not applicable to direct foreign investments that have obtained approvals from the government and certain power plants of the Company do not need to pay such taxes. For the first half of 2006, the sales tax amounted to RMB67 million, representing an increase of RMB12 million from RMB55 million for the same period of last year, which was primarily caused by the higher levy basis as a result of the new generating units putting into commercial operations.

2. Operating expenses

For the first half of 2006, consolidated operating expenses of the Company and its subsidiaries amounted to approximately RMB16.432 billion, representing an increase of 1.86% from RMB16.132 billion for the same period of last year.

The main reason for the increase in operating expenses was the newly operating plants, which contributed to an increase of total consolidated operating expenses of approximately RMB1.035 billion. Taking out the impact of the new generating units, the operating expenses decreased by approximately RMB735 million compared to that of the same period of last year as a result of a decrease of power generation of the original power plants.

2.1 Fuel costs

Fuel costs constituted the major operating costs of the Company and its subsidiaries. For the first half of 2006, fuel costs amounted to approximately RMB10.376 billion, representing an increase of approximately 0.22% from RMB10.354 billion for the same period of last year. The increase in fuel costs was mainly due to the newly operating plants, which led to an increase of approximately RMB750 million, while the decrease of unit fuel cost and the total power generation of the original power plants resulted in a decrease of total fuel costs by approximately RMB262 million and RMB466 million respectively.

For the first half of 2006, the weighted average unit price of natural coal of the Company and its subsidiaries increased by 0.76% from RMB339.43 per ton for the same period of last year to RMB342.00 per ton. The improvement in the quality of natural coal contributed to a decrease in the unit fuel cost per Mwh of electricity sold of 1.67% to RMB155.98.

2.2 Depreciation

For the first half of 2006, the Company and its subsidiaries incurred total depreciation of approximately RMB3.261 billion, representing an increase of approximately 2.72% from RMB3.174 billion for the same period of last year. The increase was also mainly attributable to the newly operating plants, which contributed to an increase of approximately RMB176 million.

2.3 Labor cost

The labor cost of the Company and its subsidiaries amounted to approximately RMB1.314 billion. As compared to the last year, a wider range of changes has to be considered to account for the labor cost including (1) the newly operated generating units raised labor cost of the Company to approximately RMB50 million; (2) the higher levy basis of the social insurance for employees according to the relevant government regulations led to an increase of approximately RMB35 million; (3) establishment of a new branch, Shanghai Maintenance, contributed labor cost of approximately RMB45 million. The labor cost per unit of installation capacity for the first half of 2006 was RMB47.59/KW which was lower than that for the same period of last year of RMB47.90/KW.

2.4 Other operating expenses

The other operating expenses of the Company and its subsidiaries for the first half of 2006 totaled approximately RMB853 million, representing an increase of approximately RMB56 million compared to approximately RMB797 million for the same period of last year. The newly operating generating units contributed to an increase of approximately RMB39 million.

3. Financial expenses, net

The consolidated net financial expenses of the Company and its subsidiaries for the first half of 2006 totaled RMB712 million, representing an increase of approximately RMB56 million from approximately RMB605 million for the same period of last year. The major reason for this increase was attributable to the fluctuation in exchange differences. For the first half of 2006, Luohuang Power Company recorded exchange losses of approximately RMB29 million. The net exchange gains for the same period of last year amounted to approximately RMB105 million, of which Luohuang Power Company achieved exchange gains of approximately RMB101 million as a result of the appreciation of RMB against Euro.

4. Share of profit of associates

Share of profit of associates of the Company and its subsidiaries for the first half of 2006 totaled approximately RMB352 million, representing an increase of RMB113 million from RMB239 million for the same period of last year. Investment income from Shenzhen Energy Group Co. Ltd., Hanfeng Power Company and Rizhao Power Company amounted to approximately RMB185 million, approximately RMB103 million and approximately RMB47 million, representing increases of RMB 73 million, RMB3 million and RMB22 million respectively. Huaneng Finance contributed investment income of approximately RMB16 million.

5. Enterprise income tax ("EIT")

There is no change on the applicable preferential tax policies granted to the Company and its subsidiaries in the current period. The consolidated EIT of the Company and its subsidiaries for the first half of 2006 totaled approximately RMB511 million, representing an increase of 46.75 % from approximately RMB349 million for the same period of last year. The main reason for the increase in EIT was due to the increase in proportion of profit generated from power plants with higher applicable tax rates.

6. Profit attributable to equity holders of the Company ("net profit")

The net profit of the Company and its subsidiaries for the first half of 2006 totaled approximately RMB2.167 billion, representing an increase of approximately 29.04% from RMB1.679 billion for the same period of last year. The increase in net profit was mainly attributable to newly operating plants that led to the increases in both units of electricity sold and gross margin from the same period of last year. The implementation of the Mechanism since May 2005 and the lower unit fuel cost per unit of electricity sold also contributed to an increase in gross margin from the same period of last year.

7. Comparison of financial positions

As at 30th June 2006, the total assets of the Company and its subsidiaries totaled approximately RMB105.226 billion, which is the first time exceeding RMB100 billion, representing an increase of approximately 5.82% from RMB99.440 billion at last year end. Non-current assets increased by 7.16%, to RMB93.634 billion while there is no substantial change in current assets compared to the beginning of the year. The major reason for the increase in total assets and non-current assets was attributable to the continuous investments in plants construction.

The total capital expenditures for new and renovation projects during the first half of 2006 totaled approximately RMB7.548 billion, which were mainly financed by debts.

8. Major financial position ratio

Items	The Company and its subsidiaries	
	30th June 2006	31st December 2005
Ratio of liabilities and shareholders' equity	1.52	1.33
Current ratio	0.43	0.52
Quick ratio	0.35	0.42

	For the six months ended 30th June 2006	For the year ended 31st December 2005
	Multiples of interest earned	3.29

Calculation formula of the financial ratios	
Ratio of liabilities and shareholders' equity	= balance of liabilities at the end of the period / balance of shareholders' equity (excluding minority interests) at the end of the period
Current ratio	= balance of the current assets at the end of the period / balance of current liabilities at the end of the period
Quick ratio	= (balance of current assets at the end of the period - net amounts of inventories at the end of the period) / balance of current liabilities at the end of the period
Multiples of interest earned	= (profit before tax + interest expense) / interest expenditure (including capitalized interest)

The current ratio and quick ratio remained at a relatively low level were mainly due to the increase in the short-term borrowings compared to last year end as a result of increasing capital investments during the first half of 2006. (Substantial portion of the financing requirements for the capital expenditures was met by the short-term borrowings.)

The ratio of liabilities and shareholders' equity increased from the beginning of the year was also mainly attributable to the increase of current liabilities and long-term loans.

The continuous increase in construction borrowings contributed to the increase in current period interest expense (including interest capitalized) and the decrease in multiples of interest earned from last year.

During the first half of 2006, substantial portion of capital expenditures of the Company and the subsidiaries were satisfied by short-term borrowings. Accordingly, as at 30th June 2006, the net current liabilities of the Company and its subsidiaries totaled RMB15.290 billion. Based on the successful financing history of the Company, the significant amount of undrawn banking facilities available to the Company and the stable operating results, the Company believes that it will be able to meet its liabilities as and when they fall due and meet the capital required for operations. In addition, the Company continued to minimize interest expense by drawing short-term borrowings which bear a relatively lower interest rate than long-term borrowings.

II Liquidity and cash resource

1. Liquidity

	2006 (Jan. 1-Jun. 30)	2005 (Jan. 1-Jun. 30)	Variance
	RMB million	RMB million	(%)
Net cash provided by operating activities	5,353	1,972	171.54
Net cash used in investing activities	(7,578)	(7,065)	7.27
Net cash provided by financing activities	1,988	5,522	-64.00
Net (decrease) / increase in cash and cash equivalents	(237)	429	-155.08
Cash and cash equivalents, beginning of year	2,648	2,296	15.34
Cash and cash equivalents, end of period	2,411	2,725	-11.50

The net cash provided by operating activities amounted to RMB5.353 billion for the first half of 2006 which was higher than that of the prior year was mainly due to an increase in the scale of operations and the level of increase in average settlement tariff which are higher than the level of increase in the fuel costs. It is expected that the cash flows from operating activities will continue to provide the major source of cash for the Company.

Net cash used in investing activities mainly consisted of capital expenditures for the purchases of property, plant and equipment.

Net cash provided by financing activities mainly consisted of repayments of the loans (including short-term bonds), dividends distribution to the shareholders and the new drawdowns for new projects financing. During the first half of 2006, the Company repaid loans of RMB7.319 billion, short-term bonds of RMB4.862 billion, dividends of RMB3.143 billion, and also borrowed new loans of RMB12.142 billion, issued short-term bonds of RMB4.980 billion, and capital injection from the minority shareholders of subsidiaries of RMB190 million.

2. Capital expenditures and cash resources

2.1 Capital expenditures

2.1.1 Capital expenditures on acquisitions

On 14th December 2005, the Company entered into an agreement with Huaneng Group and other parties to pay RMB126 million to Huaneng Group for acquisition of 10.5% equity interest in Huaneng Finance, equals to 8.75% equity interest of Huaneng Finance after subsequent additional capital injection. At the same time, Huaneng Finance increased its capital, when the Company subscribed for its 11.25% equity interest (after considering additional capital injection) at the consideration of RMB162 million. The Company obtained effective ownership of 20% upon completion of this acquisition in January 2006.

2.1.2 Capital expenditures on construction and renovation

Capital expenditures in the first half of 2006 amounted to RMB7.548 billion on construction and renovation, including RMB2.851 million for the Yuhuan project, RMB944 million for Luohuang expansion project, RMB732 million for Sichuan Hydropower project, RMB698 million for the Xindian expansion project, RMB607 million for Shanghai Combined-Cycle project, RMB590 million for Huaiyin expansion project, RMB440 million for the Yueyang expansion project, RMB299 million for the Yingkou expansion project and RMB248 million for the Qinbei expansion project and other construction and renovation expenditure.

The Company financed the above capital expenditures through debt financing and cash flows provided by operating activities.

The Company will continue to incur significant capital expenditures in the next few years based on business feasibility principles. On such basis, the Company will actively engage in new project developments to lay the foundation for the long-term development of the Company. The Company expects to use internal fundings, bank loans and cash provided by operating activities in financing the above capital expenditures.

2.2 Cash resources and anticipated financing costs

The Company expects the cash resources for capital expenditures and acquisition expenditure to be principally generated from internal funds, cash flow from operating activities and future debt financing.

Good operating results and good credit status give the Company strong financing capabilities. As at 30th June 2006, the Company and its subsidiaries had available unsecured borrowing facilities from banks of RMB27.9 billion which provided the Company with a sufficient level of available cash and raised the level of asset liquidity and repayment capabilities of the Company effectively.

On 27th February and 29th May 2006, the Company and its subsidiaries repaid the unsecured zero coupon short-term bonds at par amounting to RMB0.5 billion and RMB4.5 billion with annual effective interest rates of 3.32% and 3.40% respectively.

On 23rd May and 26th June 2006, the Company and subsidiaries issued unsecured short-term bonds of RMB0.5 billion and RMB4.5 billion with annual effective interest rates of 3.53% and 3.77% respectively. Those bonds lasted for 365 days from the issue dates. The issuance of bonds effectively lowered the overall cost of capital and formed a strong financial basis supporting the safety and stable production and scale expansion.

As at 30th June 2006, the total interest-bearing debts of the Company and its subsidiaries amounted to RMB48.4 billion, including current portion of long-term bank loans of RMB16.985 billion. The interest-bearing debts comprise foreign currency debts amounted to RMB5.9 billion, including USD635 million, EUR69 million and JPY1.190 billion. The current portion of foreign currency debts included USD107 million, EUR5 million and JPY238 million. In addition, 89% of these loan or RMB5.206 billion are fixed rate loans with average annual interest rate of 5.64% while the remaining 11% of these loans or RMB652 million are floating rate loans with average annual interest rate at LIBOR+0.17%

Long-term loans of the Company and its subsidiaries mainly comprised fixed rate loans (annual interest rates ranging from 2.00% to 6.97%). As at 30th June 2006, in accordance with original loan arrangements, floating rate loans of the Company and its subsidiaries included balances of USD71 million (annual interest rates between LIBOR+ 0.075% and LIBOR+0.43%) and JPY1.19 billion (annual interest rate at LIBOR+ 0.3%).

2.3 Other financing requirements

The objective of the Company is to bring long-term, stable and growing returns to the shareholders. In line with this objective, the Company follows a proactive, stable and balanced dividend policy. On 13th June 2006, the Company declared cash dividends of RMB0.25 per ordinary share, totaling approximately RMB3.014 billion upon the approval of shareholders' general meeting. For the six months ended 30th June 2006, the Company has settled dividends of approximately RMB2.923 billion.

III. PERFORMANCE OF SIGNIFICANT INVESTMENTS AND PROSPECTS

On 22nd April 2003, the Company paid RMB2.39 billion to acquire a 25% equity interest in Shenzhen Energy Group. This investment brought the Company a profit of RMB185 million for the first half of 2006 under the International Financial Reporting Standards. Shenzhen Energy Group is the largest power generation supplier in Shenzhen and its power plants are located in one of the prosperous provinces — Guangdong Province. With strong demand for electricity in that region, such an investment will bring stable returns to the Company in the future.

In July 2004, the Company paid RMB1.375 billion to acquire a 40% equity interest in Hanfeng Power Company. This investment brought the Company a profit of RMB103 million for the first half of 2006 under the International Financial Reporting Standards. Hanfeng Power Company is located in Hebei Province in northern China and there is a strong demand for electricity in that region. The Company expects such an investment will also bring stable returns to it in the future.

IV. EMPLOYEE BENEFITS

As at 30th June 2006, the Company and its subsidiaries had 23,346 employees. For the first half of 2006, total staff costs amounted to RMB1.314 billion. During the reporting period, there is no material change in remuneration policies and training programs from prior year.

V. RELATED PARTY TRANSACTIONS

The Company entered into various transactions with Huaneng Group, HIPDC and their group companies during daily operations, including operating leases on land use rights, property, and electricity transmission and fuel purchases, etc. Such transactions were for daily operations and at prices no different from transactions conducted with other third parties and do not have material impact on the business and operations of the Company. In addition, Huaneng Group, HIPDC and the minority shareholders of other subsidiaries have committed or agreed through contracts to provide guarantees on loans of the Company and its subsidiaries.

Pursuant to the relevant agreement, the Company rendered management services to those power plants owned by Huaneng Group and HIPDC at standard fees covering its costs and a reasonable profit. For the first half year of 2006, such service fees amounted to RMB18 million which was below 0.1% of the operating revenue of the Company.

On 14th December 2005, the Company entered into an agreement with Huaneng Group and other parties to pay RMB126 million to Huaneng Group for acquisition of 10.5% equity interest in Huaneng Finance, equals to 8.75% equity interest of Huaneng Finance after subsequent additional capital injection. At the same time, Huaneng Finance increased its capital, when the Company subscribed for its 11.25% equity interest (after considering additional capital injection) at the consideration of RMB162 million. The Company obtained effective ownership of 20% upon completion of this acquisition in January 2006.

Please refer to Note 18 to the unaudited condensed interim financial information prepared under IAS 34, "Interim Financial Reporting" for details of related party transactions.

VI. GUARANTEES ON LOANS

As at 30th June 2006, the balance of the guarantees provided by the Company to Rizhao Power Company, one of its associates, amounted to approximately RMB213 million. The Company had no contingent liabilities other than those described above. The Company also believes such guarantees do not have material financial impact on the Company.

VII. PLEDGE OF ASSETS

As at 30th June 2006, certain subsidiaries of Sichuan Hydropower, including Dongxiguan Hydropower, Kangding Hydropower and Mingtai Hydropower, had secured bank loans of RMB182 million, RMB20 million and RMB60 million respectively. Such loans were secured by certain property, plant and equipment of these subsidiaries with net book values amounting to approximately RMB250 million, RMB19 million and RMB52 million respectively.

VIII. EXCHANGE DIFFERENCES

As at 30th June 2006, foreign debts of the Company and its subsidiaries amounted to RMB 5.9 billion, which accounted for 12% of total interest-bearing debts, within which Euro debts accounted for 12% of the foreign debts and US dollars loans accounted for 87%. The Renminbi Exchange Scheme Reform increases the flexibility of exchange rate and causes considerable impact to Company's profitability target due to exchange gain or loss. Nevertheless, it will not impact the cashflow of the Company. The Company pays close attention to the status and trend of the international foreign currency market, forecasts the future development tendency and explores feasible risk management solution with financial derivatives. As long as the timing is appropriate, the Company will approve and implement the relative solution according to the internal control process.

SHARE CAPITAL STRUCTURE

As at 30th June, 2006, the entire issued share capital of the Company amounted to 12,055,383,440 shares, of which 9,000,000,000 shares were domestic shares, representing 74.66% of the total issued share capital, and 3,055,383,440 shares were foreign shares, representing 25.34% of the total issued share capital of the Company. In respect of domestic shares, Huaneng International Power Development Corporation ("HIPDC") owns a total of 5,066,662,118 shares, representing 42.03% of the total issued share capital of the Company while China Huaneng Group ("Huaneng Group") held 1,055,124,549 shares, representing 8.75% of the total issued share capital of the Company. Other domestic shareholders hold a total of 2,878,213,333 shares, representing 23.88% of the total issued share capital.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries did not sell any other types of securities and did not purchase or redeem its own shares or other securities in the first half of 2006.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at 30th June 2006, the shareholding position of the shares outstanding of the Company was as follows:

	Total Shareholdings	Percentage of total shares outstanding (%)
Domestic Shares		
Huaneng International Power Development Corporation*	5,066,662,118	42.03
China Huaneng Group*	1,055,124,549	8.75
Hebei Provincial Construction Investment Company	603,000,000	5.00
Jiangsu Provincial Investment & Management Limited Liability Company	416,500,000	3.45
Fujian Investment Enterprise Holdings Limited	338,466,667	2.81
Liaoning Energy Investment (Group) Limited Liability Company	332,913,333	2.76
Dalian Municipal Construction Investment Company	301,500,000	2.50
Minxin Group Limited	108,000,000	0.90
Nantong Investment & Management Limited Company	90,500,000	0.75
Shantou Power Development Joint Stock Company Limited	25,333,333	0.21
Dandong Energy Investment Development Centre	8,666,667	0.07
Shantou Electric Power Development Corporation	3,333,333	0.03
Domestic Public Shares*	650,000,000	5.39
Sub-total	9,000,000,000	74.66
Foreign Shares	3,055,383,440	25.34
TOTAL	12,055,383,440	100

* Pursuant to the share reform proposal of the Company, each holder of circulating A shares received from Huaneng Group and HIPDC an aggregate of three shares for every 10 circulating A shares held by such holder.

The A share record date of the implementation of the share reform proposal was 17th April, 2006. Each of the holders of circulating A shares whose name appeared on the share register upon the close of business on the record date was entitled to receive 3 circulating A shares for every 10 shares held by them. The number of total consideration shares were 150,000,000 shares.

Among which, before the payment of the consideration shares, Huaneng Group held 1,114,106,667 shares of the Company, representing 9.24% of the total issued shares. The number of the consideration shares was 58,982,118 shares. Following the payment of the consideration shares, Huaneng Group held 1,055,124,549 shares, representing 8.75% of the total issued shares.

Before the payment of the consideration shares, HIPDC held 5,157,680,000 shares, representing 42.78% of the total issued shares. The number of the consideration shares was 91,017,882 shares. Following the payment of the consideration shares, HIPDC held 5,066,662,118 shares, representing 42.03% of the total issued shares.

As at 30th June, 2006, so far as the directors, chief executive officer and supervisors of the Company are aware, each of the following persons, not being a director, chief executive officer or supervisor of the Company, had an interest in the Company's shares which is required to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance ("SFO"):

Name of shareholder	Class of shares	Number of shares held	Capacity	Shares held/Approximate shareholding percentage		
				Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued domestic shares	Approximate percentage of shareholding in the Company's total issued H shares
Huaneng International Power Development Corporation*	Domestic shares	5,066,662,118	Beneficial owner	42.03%(L)	56.30%(L)	—
China Huaneng Group*	Domestic shares	1,055,124,549(L)	Beneficial owner	8.75%(L)	11.72%(L)	—
Hebei Provincial Construction Investment Company	Domestic shares	603,000,000(L)	Beneficial owner	5.00%(L)	6.7%(L)	—
Credit Suisse Group	H shares	240,475,309(L) 323,860,812(S) 458,500(P) corporation/	Interest of controlled corporation/ Approved lending agent	1.99%(L) 2.69%(S) 0.003%(P)	—	7.87%(L) 10.60%(S) 0.02%(P)
JP Morgan Chase Bank	H shares	108,190,980(L)	Investment manager and custodian	0.90%(L)	—	3.54%(L)
Citigroup Inc.	H shares	201,835,850(L) 155,567,180(S) 2,815,100(P) corporation/Holder	Interest of controlled corporation/Holder of security interest in shares	1.67%(L) 1.29%(S) 0.02%(P)	—	6.61%(L) 5.09%(S) 0.09%(P)
J.P. Morgan Fleming Asset Management (Asia) Inc.	H shares	83,918,000(L)	Investment manager	0.70%(L)	—	2.75%(L)
J.P. Morgan Fleming Asset Management Holdings Inc.	H shares	83,198,000(L)	Investment manager	0.69%(L)	—	2.72%(L)
UBS AG	H shares	170,309,367(L) 82,311,000(S) owner/	Beneficial Interest of controlled corporation/Holder of security interest in shares	1.41%(L) 0.68%(S)	—	5.57%(L) 2.69%(S)
JF Asset Management Limited	H shares	80,298,000(L)	Investment manager	0.67%(L)	—	2.63%(L)

Note: The letter "L" denotes a long position. The letter "S" denotes a short position. The letter "P" denotes interest in a lending pool.

As of 30th June, 2006, Huaneng Group holds 51.98% equity interests in HIPDC.

Save as disclosed above and so far as the directors, chief executive officer and supervisors of the Company are aware, as at 30th June 2006, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company.

PUBLIC FLOAT

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

DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES

The Company has adopted a code in relation to the securities transactions by the directors and supervisors with the standard not lower than that of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors and Supervisors have complied with the Code throughout the current period.

As at 30th June 2006, none of the directors, chief executive officer or supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, chief executive officer or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

DIVIDENDS

It was resolved by the board of directors (the "Board") not to distribute interim dividends for 2006.

MAJOR EVENTS

1. On 7th March, 2006, the Company convened the fourth meeting of the Fifth Session of the Board to consider and approve the appointments and resignations of some of the directors and senior management: electing Mr. Huang Long as Vice Chairman, accepting the resignation of Mr. Wang Xiaosong as Director and Vice Chairman of the Company; appointing Mr. Na Xizhi as President of the Company while he would no longer act as Vice President of the Company; approving the resignation of Mr. Huang Yongda as President of the Company; approving the appointments of Mr. Qu Xiaojun, Mr. Huang Jian, Ms. Lu Dan and Mr. Fan Xiaxia as Vice Presidents of the Company, along with the appointment of Ms. Zhou Hui as Chief Accountant of the Company; accepting the resignations of Mr. Zhang Hong, Mr. Huang Long and Mr. Li Shiqi as Vice Presidents; and Mr. Huang Jian no longer acted as Chief Accountant of the Company.

2. In the first half of 2006, the Company completed the share reform in the A share market. The Company's share reform proposal was implemented after obtaining approval from the relevant governmental authorities of the State and the shareholders' approval at the general meeting for the relevant shareholders in the A share market in respect of the Company's share reform. The plan was as follows: Huaneng Group acquired an aggregate of 1,114,106,667 non-circulating shares of the Company from non-circulating shareholders other than HIPDC. Consideration arrangement for the share reform of non-circulating shareholders (other than HIPDC) were co-ordinated and executed by Huaneng Group. Each of the holders of circulating A shares whose name appeared on the share register upon the close of business on 17th April, 2006 were entitled to receive 3 circulating shares for every 10 circulating A shares held by them. The number of total consideration shares were 150,000,000 shares.

Corporate Governance

The Company has been consistently stressing the importance of corporate governance through promoting innovation on the Company's system management and strengthening the establishment

of the Company's system. It strives to enhance the transparency of the Company's corporate governance standards and to maintain high-quality corporate governance on an ongoing basis. The Company insists on adopting the principle of "maximizing the benefits of the Company and of all shareholders" as the starting point and treats all shareholders fairly in order to ensure the generation of long-term, stable and growing returns for shareholders. The Company has included a corporate governance report in its annual report of 2005 ("2005 Corporate Governance Report") which was prepared in accordance with the requirements of the Listing Rules. During the reporting period, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The following sets out the status of corporate governance of the Company for the first half of this year pursuant to the relevant requirements of the Listing Rules and with reference to the provisions in Appendix 23 of the Listing Rules.

(A) CODE OF CORPORATE GOVERNANCE

As stated in the 2005 Corporate Governance Report, in recent years the Company adopted the following measures in order to strengthen corporate governance and enhance the Company's operation quality:

(1) Except from complying with the provisions of the applicable laws, as a public company listed in three markets both domestically and internationally, the Company is subject to the regulations of the securities regulatory authorities of the three listing places and the supervision of investors. Accordingly, our fundamental principles are to adopt a corporate governance structure balancing and coordinating the decision-making powers, supervisory powers and operating powers, to act with honesty and integrity, and to comply with the law and operating in accordance with the law.

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

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

(2) The Company has been stressing the importance of external information disclosure. The Company has established the Information Disclosure Committee which comprises managers of various departments and headed by the Vice President and the Chief Accountant, and is responsible for examining the Company's regular reports. The Company has implemented the system of holding regular information disclosure meetings every Monday chaired by the Vice President and the Chief Accountant who will report on the Company's important matters of the week, thereby warranting the Company's performance of the relevant information disclosure. The Company has successively formulated and implemented a series of rules including the Provisions on the Management of External Information Disclosure Work, the Measures on Investor Relations Management, the Provisions on Internal Reporting of External Disclosure of Material Information, the Detailed Rules on the Work of the Information Disclosure Committee, the Interim Provisions on the Work Procedures of Capital Operation and the Rules and Procedures for the Shareholders' Meetings. Relevant departments of the Company compiled answers (and subsequent updates) to questions regarding the hot topics of market concerns, the Company's production, operation and operating results in a timely manner, which shall become the basis of external communication after being approved by the Company's management and the authorized representatives of the Information Disclosure Committee. Also, the Company engages US, Hong Kong and mainland lawyers to conduct professional training for the personnel of the Company responsible for information disclosure on an irregular basis in order to continuously enhance their level of professionalism. The implementation of the above rules and measures ensures that the Company completes various external disclosure work effectively, thereby increasing the transparency of the Company's operation and obtaining good social benefits.

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

1. In order to strictly implement the accounting rules, accounting standards and accounting systems; to strengthen management over financial accounting and review; and to truly and fairly reflect the financial position, operating results and cash flows, the Company has compiled the Measures on Financial Accounting, the Measures on Construction Financial Accounting, the Guidelines on Accounting Fundamentals of Construction Financial Accounting, the Measures on Fixed Assets Management, Fixed Assets Catalogue and the Measures on Cost Management. The Company's Board and the Audit Committee have examined the Company's financial reports on a quarterly basis and the Company has fulfilled the requirements of making the Chairman, President and Chief Accountants responsible for the authenticity and completeness of the financial reports.

2. In order to safeguard the independence of the listed company, the Company adopted the segregation of personnel in organizational structure and specifically established the Finance First Division and Funds Management First Division responsible for the entrusted business (the business related to the assets entrusted by the Group for management) so that the Company may realize the complete separation of the listed company and the controlling shareholder in terms of personnel, assets and finances according to the laws and regulations of the State and the requirements of regulatory rules.

3. In order to establish a sounding internal control system, achieve expected operating results and efficiency, assure the credibility of the financial reporting, and effectively improve our capability in risk management, the Company has launched a project in 2003 to improve its internal control in a comprehensive manner. During the last three years, the Company developed a strategic plan and set objectives for internal control. The Company's long-term objective is to enhance its internal control in all aspects to constantly improve its capability to develop, compete and manage risk. The Company established an internal control organization system, and strengthened internal control at both the corporate and the power plant levels. The Company further strengthened its corporate governance and management system, and completed the annual evaluation of the effectiveness of the design of the Company's existing system at the end of 2005. The Company established its internal control procedures on the basis of the COSO control framework, which accommodates the Company's management characteristics. The Company designed and implemented the "Internal Control Manual", which is recognized by the company as the "constitution" for the management of internal control. The Company has carried out several self-evaluations of internal control, identified certain deficiencies and mediated such deficiencies in a timely manner. The Company disseminated information to, and trained its employees with regard to internal control concepts and procedures.

After a full evaluation by the Company's CEO and CFO, they were of the view that the improvement work on the internal control and its procedures were effective and such improvement measures have enhanced the effectiveness of the internal control on financial reporting. Year 2006 is the first year that Sarbanes-Oxley Act applies to the foreign companies listed in the United States. It is a year of great significance for the Company to improve its internal control. The Company will continue to its internal control environment, and strengthen and consolidate its internal control improvement.

The Company has identified certain deficiencies in the internal control and procedures in respect of financial reporting through carrying out remedial measures in the past three years. Although the Company has made the relevant improvement, the Company is unable to guarantee that such remedial measures could effectively eliminate all the deficiencies. The Company is also unable to guarantee that some other deficiencies in the internal control and procedures in respect of financial reporting could not be found after the evaluation by the Company's management or auditors.

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

The above systems and measures have formed a sound management framework for our production and operations. In the first half of this year, the results of the campaign of the Second Session of the Investors Relations of A Share Companies in China organised by Securities Market Weekly (a professional magazine for securities market in China) was announced. The Company has been awarded "The Best 50 Companies in Investors Relations Management" in the campaign of Investors Relations of A Share Companies in China in 2005. Mr. Huang Long, the secretary of the Board of the Company, has been awarded as "The Best Executor".

(B) SECURITIES TRANSACTIONS BY DIRECTORS

As the Company is listed in three places, the Company has strictly complied with the relevant binding clauses on securities transactions by directors imposed by the regulatory authorities of the US, Hong Kong and China and we insist on the principle of complying with the strictest clause, that is, implementing the strictest clause among three places. We have adopted a set of standards not lower than The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules as the model code for securities dealings by directors of the Company, that is, "The Administrative Rules on Securities Information and Transaction of Companies", prohibiting informed personnel of the insider information of securities transactions to conduct securities dealing activities, and we have formulated detailed regulations on the informed personnel of insider information. Following a specific enquiry on all the directors and senior management of the Company, all the directors and senior management personnel do not hold any shares in the Company and there is no material contract in which the directors directly or indirectly have material interests.

(C) BOARD OF DIRECTORS

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

The Board of the Company has held four meetings during the reporting period including regular meetings and ad hoc meetings (including those with voting by communication). The resolutions passed at such meetings have been announced by way of public announcement domestically and overseas.

As stated in the 2005 Corporate Governance Report, the Company's Articles of Association set out in details the duties and operational procedures of the Board (please refer to the Company's Articles of Association for details). The Board of the Company holds regular meetings to hear the report on the Company's operating results and makes decision. Material decisions on operations shall be discussed and approved by the Board. Ad hoc meetings may be held if necessary. Board meetings include regular meetings and ad hoc meetings. Regular meetings of the Board include: annual meetings, half-yearly meetings, first quarterly and third quarterly meetings.

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

Moreover, the Independent Directors of the Company have submitted their annual confirmation letters in relation to their independence in 2005 according to the requirements of the Listing Rules.

Apart from regular and ad hoc meetings, the Board obtained information through the Chairman Office in a timely manner in order to monitor the objectives and strategies of the management, the Company's financial position and operating results and clauses of material agreements. The Chairman Office discharged the duties on behalf of the Board when the Board was not in session.

The Chairman Office held meetings irregularly which were attended by the Chairman, Vice Chairman, Secretary to the Board, President, relevant senior management and personnel of relevant departments, and they heard reports on the operating conditions of the Company and made decisions. The content of the meetings covered: (1) examined and approved the establishment or cancellation of proposals to develop construction projects; (2) examined and approved proposals of the President in relation to the appointment, removal and transfer of managers of various departments of the Company and managers external branches; (3) examined and approved plans on the use of significant funds; (4) examined and approved proposals on the establishment or cancellation of branch companies or branch organs; (5) studied issues regarding the power market reforms and power sales and marketing; (6) examined and approved 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; implement annual operation plans and investment proposals; and formulate the Company's management system.

The Chairman of the Company shall sign the management authorization letter to the President of the Company on behalf of the Board, 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 CHIEF EXECUTIVE OFFICER

The Board of the Company shall have a Chairman and a President who shall perform their duties respectively according to the Articles of Association. During the reporting period, Mr. Li Xiaopeng acted as Chairman of the Board and Mr. Huang Yongda (from 1st January 2006 to 7th March 2006) and Mr. Na Xizhi (from 7th March 2006 to present) acted as President of the Company.

The division of duties of the Board and the senior management remained the same as mentioned in the 2005 Corporate Governance Report.

(E) NON-EXECUTIVE DIRECTORS

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

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

Name of Non-executive Director	Term of office
Huang Yongda	2006.3.7-2008.5
Wu Dawei	2005.5.11-2008.5
Shan Quanying	2005.5.11-2008.5
Ding Shida	2005.11.17-2008.5
Xu Zujian	2005.5.11-2008.5
Liu Shuyuan	2005.5.11-2008.5
Wang Xiaosong	2005.5.11-2006.3.7

(F) DIRECTORS' REMUNERATION

According to the provisions of the relevant laws of the State and the Articles of Association, the Board of the Company has established the Remuneration and Appraisal Committee 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 senior management of the Company, their performance appraisals have been reflected in the assessment and appraisal conducted by the Board on the management team. During the reporting period, Mr. Huang Long and Mr. Na Xizhi has obtained remuneration of the Company in the capacity of executive directors and their remunerations are set out in the annual aggregate wages and calculated according to the internal wage system of the Company. The aggregate wages were submitted to the Board after having been examined by the Remuneration and Appraisal Committee. The executive directors have complied with the requirements of the Stock Exchange and entered into directors' service agreements by adopting the Stock Exchange's standard contract.

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

The Remuneration and Appraisal Committee operated properly in accordance with the Detailed Rules on the Work of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee of the Fifth Session of the Board held a meeting on 27th March 2006, at which the proposal regarding aggregate wages for 2006 has been discussed and approved while the examination report was submitted to the Board.

(G) NOMINATION OF DIRECTORS

According to the provisions of the relevant laws of the State and the Articles of Association, the Board of the Company has established the Nomination Committee. The Committee is mainly responsible for studying the selection standards and procedures for candidates for directors and senior management personnel of the Company according to the requirements of the Company Law and Securities Law and in relation to directors' qualifications and the needs of the operational management of the Company, and making proposals thereon to the Board; searching for qualified candidates for directors and suitable persons for senior management personnel on a wide basis; and examining the candidates for directors and suitable persons for senior management personnel and making proposals thereon. At present, nomination of directors of the Company is mainly made by the shareholders of the Company and the names are submitted to the Board after the Nomination Committee has examined their qualifications; and candidates for the Vice President and senior management of the Company are nominated by the President and the names are submitted to the Board after the Nomination Committee has examined their qualifications.

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

Currently, the Nomination Committee of the Board has operated properly in accordance with the Detailed Rules on the Work of the Nomination Committee. The Nomination Committee of the fifth session of the Board convened a meeting on 7th March 2006, at which the report regarding the candidates of senior management which produced by the Human Resources Department of the Company was considered. It was unanimously agreed with the nomination of the candidates of the senior management and to submit the report to the Board.

(H) REMUNERATION OF AUDITORS

PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers were re-appointed as the PRC auditors and international auditors of the Company respectively for 2006 with an estimated remuneration of USD5.39 million. As of 30th June 2006, total remuneration to the auditors all related to audit services, amounted to approximately USD2.335 million.

(I) AUDIT COMMITTEE

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

- (1) proposing to appoint or change external auditing organizations;
- (2) examining and supervising the Company's internal audit system and its implementation;
- (3) communication between internal auditing and external auditing;
- (4) auditing the Company's financial information and its disclosure;
- (5) any other matters required by the Company's Board.

Such responsibilities are the same as those set out in the 2005 Corporate Governance Report.

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

The Company's Audit Committee held two meetings on 27th March 2006 and 24th April, 2006, respectively. As the duties of the Audit Committee, the members of the Audit Committee interviewed and discussed with the Company's legal counsels, external auditors, management and the department in respect of the applicable laws and regulations in the jurisdictions in which the Company's shares are listed, status of anti-fraud, staff appointment, the implementation of the internal control system as well as the audit conducted by the external auditors. The members raised their opinion and provided a number of suggestions in relation thereto. The following were approved at the meetings: the 2005 work report and the work proposal for 2006 (including the plan for usage of funds) of the Audit Department of the Company, the financial report of 2005, of 2006 financial budget, the profit distribution plan of 2005, proposal regarding appointment of external auditors, application regarding auditors' fee for general matters, proposal regarding amendments to the Detailed Rules on the Work of the Audit Committee and the First Quarterly Financial Report of 2006. The Audit Committee submitted to the Board a report summarising their work in the past year and the reports on the matters examined by them.

The Regulations on Online and Mailbox Reporting and the amended Detailed Rules on the Work of the Audit Committee have been announced on 27th February 2006 and 28th April 2006 on the Company's website and implemented accordingly.

(J) STRATEGY COMMITTEE

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

- (1) reviewing and advising on the Company's long term strategic development plan;
- (2) reviewing and advising on the major fund raising proposals that need to be approved by the Board;

- (3) reviewing and advising on the major production and operating projects that need to be approved by the Board;
- (4) studying and advising on the matters that would significantly affecting the development of the Company;
- (5) examining the implementation of the above mentioned matters;
- (6) attending those matters at the requests of the Board.

The fifth session of the Board's Strategy Committee consisted of six directors, including Mr. Li Xiaopeng, Mr. Huang Yongda, Mr. Huang Long, Mr. Na Xizhi, Mr. Wu Dawei, Mr. Wu Yusheng and Mr. Wang Xiaosong (resigned from directorship on 7th March 2006). The Chairman of the Strategy Committee is Mr. Li Xiaopeng.

Rules on Risks Management for Huaneng Power International, Inc. was approved by the Strategy Committee on 27th March 2006 and was then implemented accordingly. Pursuant to the rules, all functional departments, business departments and their respective supervising and management units provided their risk analysis reports. Currently, the rules has been executed effectively. The Company's internal control and risk management systems have been continuously strengthened and improved.

REVIEW BY AUDIT COMMITTEE

The interim results of 2006 have been reviewed by the Audit Committee of the Company.

LEGAL PROCEEDINGS

As at 30th June 2006, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company as far as the Company is aware of.

DOCUMENTS FOR INSPECTION

Besides this announcement, the interim report for the first half of 2006 of the Company containing all the information required by the Listing Rules will be published on the Hong Kong Stock Exchange's website in due course. The Company will also file the interim report in Form 6-K with the US Securities and Exchange Commission. Copies of the interim report for 2006 will be available at the following addresses and website:

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

By Order of the Board
Li Xiaopeng
Chairman

As at the date of this announcement, the directors of the Company are:

Li Xiaopeng (Executive director)	Qian Zhongwei (Independent non-executive director)
Huang Yongda (Non-executive director)	Xia Donglin (Independent non-executive director)
Na Xizhi (Executive director)	Liu Jipeng (Independent non-executive director)
Huang Long (Executive director)	Wu Yusheng (Independent non-executive director)
Wu Dawei (Non-executive director)	Yu Ning (Independent non-executive director)
Shan Quanying (Non-executive director)	
Ding Shida (Non-executive director)	
Xu Zujian (Non-executive director)	
Liu Shuyuan (Non-executive director)	

Beijing, the PRC
16th August 2006

HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES

A. CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED) AS AT 30TH JUNE 2006

(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	As at 30th June 2006	31st December 2005
ASSETS	<i>Note</i>	
Non-current assets		
Property, plant and equipment, net	84,849,271	78,997,297
Investments in associates	5,053,220	4,593,984
Available-for-sale investment	1,022,774	1,033,225
Land use rights	1,661,394	1,679,765
Other non-current assets	305,591	336,379
Deferred income tax assets	69,718	64,075
Goodwill	671,796	671,796
Total non-current assets	93,633,764	87,376,521
Current assets		
Inventories, net	2,261,297	2,311,357
Other receivables and assets, net	779,237	855,952
Accounts receivable, net	3 5,771,748	6,022,426
Dividend receivable	125,000	—
Financial assets at fair value through profit or loss	37,687	—
Due from HIPDC	—	21,847
Restricted cash	203,769	201,276
Temporary cash investment	2,652	2,652
Cash and cash equivalents	2,411,266	2,647,665
Total current assets	11,592,656	12,063,175
Total assets	105,226,420	99,439,696
	<i>Note</i>	As at 31st December 2005

EQUITY AND LIABILITIES

Capital and reserves attributable to the equity holders of the Company

Domestic shares, par value of RMB1.00 each, in form of legal person shares	—	8,500,000
A shares, par value of RMB1.00 each	9,000,000	500,000
Overseas listed foreign shares, par value of RMB1.00 each	3,055,383	3,055,383
Additional paid-in capital	8,988,107	8,988,107
Dedicated capital	4 4,899,429	4,899,429
Available-for-sale investment revaluation reserve	631,786	636,964
Retained earnings		
Proposed dividend	5 —	3,013,846
Others	12,610,623	10,443,745
Minority interests	39,185,328	40,037,474
	6,458,636	6,106,713
Total equity	45,643,964	46,144,187

Non-current liabilities

Long-term loans from Huaneng Group	2,800,000	2,800,000
Long-term bank loans	28,289,674	25,711,255
Other long-term loans	311,162	351,009
Deferred income tax liabilities	1,113,323	1,157,775
Other non-current liabilities	185,947	168,328
Total non-current liabilities	32,700,106	30,188,367

Current liabilities

Accounts payable and other liabilities	6 8,645,631	6,905,240
Dividends payable to shareholders of the Company	90,950	—
Taxes payables	726,323	1,131,284
Due to Huaneng Group	45,057	50,720
Due to HIPDC	109,654	53,230
Due to associates	4,669	—
Due to other related parties	50,932	29,620
Staff welfare and bonus payables	223,955	251,949
Short-term bonds	7 4,983,727	4,938,250
Short-term loans	9,054,390	6,580,870
Current portion of long-term bank loans	2,657,126	2,653,339
Current portion of other long-term loans	289,936	512,640
Total current liabilities	26,882,350	23,107,142

	As at 30th June 2006	31st December 2005
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Total equity and liabilities 105,226,420 99,439,696

B. CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30TH JUNE 2006

(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB, except per share data)

	As at 30th June 2006	31st December 2005
Operating revenue	9 19,835,432	18,855,455
Sales tax	(67,324)	(54,981)
Operating expenses:		
Fuel	(10,376,099)	(10,353,644)
Maintenance	(558,068)	(606,883)
Depreciation	(3,260,860)	(3,174,402)
Labor	(1,313,664)	(1,129,565)
Service fees to HIPDC	(70,386)	(70,493)
Others	(853,369)	(797,341)
Total operating expenses	(16,432,446)	(16,132,328)
Profit from operations	3,335,662	2,668,146
Interest income	23,918	25,196
Interest expense	(726,125)	(723,260)
Bank charges and exchange (losses) / gain, net	(9,971)	93,144
Total financial expenses, net	(712,178)	(604,920)
Share of profits of associates	351,772	238,741
Investment income, net	65,962	34,839
Other income, net	1,670	3,472
Profit before income tax	10 3,042,888	2,340,278
Income tax expense	11 (511,823)	(348,774)
Profit for the period	2,531,065	1,991,504
Attributable to:		
- Equity holders of the Company	2,166,878	1,679,253
- Minority interests	364,187	312,251
	<u>2,531,065</u>	<u>1,991,504</u>
Earnings per share for profit attributable to the equity holders of the Company, expressed in RMB per share		
- basic and diluted	12 0.18	0.14

C. HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30TH JUNE 2006

(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company	Minority interests	Total equity				
	Share capital	Additional paid-in capital	Dedicated capital	Available-for-sale investment revaluation reserve	Retained earnings		
Balance as at 1st January 2006	12,055,383	8,988,107	4,899,429	636,964	13,457,591	6,106,713	46,144,187
Net capital injection from minority shareholders of subsidiaries	—	—	—	—	—	189,882	189,882
Dividends relating to 2005	—	—	—	—	(3,013,846)	(202,146)	(3,215,992)
Profit for the six months ended 30th June 2006	—	—	—	—	2,166,878	364,187	2,531,065
Fair value gains from available-for-sale investment - gross	—	—	—	(4,921)	—	—	(4,921)
Fair value gains from available-for-sale investment - tax	—	—	—	(257)	—	—	(257)
Balance as at 30th June 2006	<u>12,055,383</u>	<u>8,988,107</u>	<u>4,899,429</u>	<u>631,786</u>	<u>12,610,623</u>	<u>6,458,636</u>	<u>45,643,964</u>
Balance as at 1st January 2005	12,055,383	8,972,184	4,065,970	—	12,433,102	3,266,393	40,793,032
Minority interests arising on business combination	—	—	—	—	—	1,993,416	1,993,416
Capital injection from minority shareholders of subsidiaries	—	—	—	—	—	59,830	59,830
Dividends relating to 2004	—	—	—	—	(3,013,846)	(196,992)	(3,210,838)
Profit for the six months ended 30th June 2005	—	—	—	—	1,679,253	312,251	1,991,504
Balance as at 30th June 2005	<u>12,055,383</u>	<u>8,972,184</u>	<u>4,065,970</u>	<u>—</u>	<u>11,098,509</u>	<u>5,434,898</u>	<u>41,626,944</u>

D. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Prepared in accordance with International Financial Reporting Standards)
(Amounts expressed in thousands of RMB unless otherwise stated)

1. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30th June 2006 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2005.

During 2006, a significant portion of the Company and its subsidiaries' funding requirements for capital expenditures were satisfied by short-term borrowings. Consequently, as at 30th June 2006, the Company and its subsidiaries have a negative working capital balance of approximately RMB15.3 billion (31st December 2005: approximately RMB11.0 billion). The Company and its subsidiaries have significant undrawn available banking facilities amounting to approximately RMB28 billion (31st December 2005: approximately RMB23 billion), of which approximately RMB6 billion (31st December 2005: approximately RMB7 billion) are limited for short-term financing purpose. The Company and its subsidiaries may refinance and / or restructure certain short-term loans into long-term loans and will also consider alternative sources of financing, where applicable. The Directors of the Company and its subsidiaries are of the opinion that the Company and its subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these unaudited condensed consolidated interim financial statements on a going concern basis.

2. Principal Accounting Policies

The principal accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31st December 2005. The following new standards, amendments to standards and interpretations are mandatory for financial year with annual period beginning on or after 1st January 2006.

- Amendments to IAS 39 and International Financial Reporting Standard ("IFRS") 4, Amendments "Financial guarantee contracts", effective for annual periods beginning on or after 1st January 2006. These amendments had no material impact to the accounting policies of the Company and its subsidiaries; and
- International Financial Reporting Interpretations Committee Interpretation ("IFRIC Interpretation") 4, "Determining whether an arrangement contains a lease", effective for annual periods beginning on or after 1st January 2006. This interpretation had no material impact to the accounting policies of the Company and its subsidiaries. Management will continue to assess the impact of this IFRIC Interpretation to the accounting policies of the Company and its subsidiaries for any future arrangements.

3. Accounts Receivable, Net

Accounts receivable, net comprised:

	As at 30th June 2006	31st December 2005
Accounts receivable	4,695,615	4,963,326
Notes receivable	1,132,889	1,117,533
	5,828,504	6,080,859
Less: provision for doubtful accounts	(56,756)	(58,433)
	<u>5,771,748</u>	<u>6,022,426</u>

The Company and its subsidiaries usually grant about one month's credit period to local power grid customers.

The aging analysis of accounts receivable was as follows:

	As at 30th June 2006	31st December 2005
Within 1 year	5,618,217	5,864,038
Between 1 to 2 years	920	3,624
Between 2 to 3 years	51,880	59,217
Over 3 years	157,487	153,980
	<u>5,828,504</u>	<u>6,080,859</u>

As at 30th June 2006, Huaneng International Power Development Corporation ("HIPDC") had provided guarantee to the Company on the Company's share of an account receivable balance of approximately RMB140 million (31st December 2005: approximately RMB140 million) recorded in the books of Huaneng Hunan Yueyang Power Generation Limited Liability Company ("Yueyang Power Company") when it acquired the subsidiary from HIPDC in 2004.

4. Dedicated Capital

The Board of Directors decided on an annual basis the percentages of the profit after tax, as determined under the PRC accounting standards and regulations, to be appropriated to the statutory surplus reserve fund and, on an optional basis, the discretionary surplus reserve fund. When the balance of the statutory surplus reserve fund reaches 50% of the Company's share capital, any further appropriation will be optional. The statutory surplus reserve fund can be used to offset prior years' losses or increase share capital, provided that the balance after such an issue is not less than 25% of registered capital. The discretionary surplus reserve fund can be provided and used in accordance with the resolutions of the Directors and then approved by the shareholders.

Prior to 1st January 2006, the Board of Directors decided on an annual basis the percentages of the profit after tax, as determined under the PRC accounting standards and regulations, to be appropriated to the statutory public welfare fund. The statutory public welfare fund can only be utilized on capital items for the collective benefits of the Company's employees. Titles of these capital items will remain with the Company. This fund is non-distributable other than in liquidation. Starting from 1st January 2006 onward, the Company is prohibited from providing further appropriation out of net profit to statutory public welfare fund pursuant to the revised Company Law. The balance of statutory public welfare fund as at 31st December 2005 is converted into discretionary surplus reserve fund.

For the six months ended 30th June 2006 and 2005, the Company and its subsidiaries did not appropriate any amount into the statutory and discretionary surplus reserve funds.

5. Dividends

(a) *Related Party Transactions*

	For the six months ended 30th June	
	2006	2005
Huaneng Group		
Management service fee income	16,080	16,921
Interest expense on long-term loans	(71,489)	(17,887)
Acquisition of equity interest of Huaneng Finance*	(126,000)	—
HIPDC		
Management service fee income	1,920	1,644
Service fees expenses on transmission and transformer facilities	(70,386)	(70,493)
Rental charge on land use rights of Huaneng Nanjing Power Plant	(667)	(667)
Rental charge on office building	(13,000)	(13,000)
Huaneng Finance		
Discounting of notes receivable	—	119,664
Discounting charges	—	(1,044)
Drawdown of short-term loans	1,620,000	1,600,000
Issuance of short-term bonds	900,000	—
Interest expense on short-term and long-term loans	(57,961)	(84,244)
Capital injection*	(162,000)	—
Huaneng Capital Service		
Issuance of short-term bonds	250,000	—
Greatwall Securities		
Issuance of short-term bonds	300,000	—
CHITEC		
Purchase of coal from CHITEC	(103,866)	(276,310)
Purchase of equipment from CHITEC	(17,776)	(9,274)
Time Shipping		
Purchase of coal from Time Shipping and service fee paid for transportation	(336,161)	(274,000)
Huaneng Jingyuan		
Purchase of coal from Huaneng Jingyuan	(49,159)	(122,661)
Shifen Company		
Purchase of lime from Shifen Company	(22,555)	(27,296)
Xinrui		
Technical services and industry-specific technological project contracting services	(2,241)	(1,299)
Xi'an Thermal		
Technical services and industry-specific technological project contracting services	(13,308)	(3,675)
	For the six months ended 30th June	
	2006	2005
	<i>RMB million</i>	<i>RMB million</i>

State-owned enterprises

Sales of electricity	19,990	18,861
Purchases of fuel	(6,205)	(5,951)
Acquisition of property, plant and equipment	(2,889)	(3,328)
Purchases of raw materials and spare parts	(52)	(41)
Subcontracting labor for		
- construction and renovation	(1,918)	(1,033)
- maintenance	(45)	(52)
Interest income	9	11
Dividend income	28	35
Warrants granted	38	—
Issuance of short-term bonds	3,550	4,862
Drawdown of short-term loans	5,637	5,263
Drawdown of long-term loans	3,425	4,714
Interest expense on loans and bonds to banks and other financial institutions	(788)	(738)

* The Company acquired 20% equity interest of Huaneng Finance in January 2006 at total consideration of RMB288 million. The Company's share in the net fair value of identifiable assets, liabilities and contingent liabilities of Huaneng Finance amounted to approximately RMB313 million. The excess of acquired interest over the consideration was written off against income statement.

(b) *Guaranteed Loans*

	As at 30th June 2006	As at 31st December 2005
	(i) Short-term loan guaranteed by a state-owned enterprise	—
(ii) Long-term loans guaranteed by		
- Huaneng Group	7,354,924	7,343,525
- HIPDC	3,019,149	3,311,164
- State-owned enterprises	343,375	1,226,500
(iii) Long-term bank loans of Rizhao Power Company guaranteed by the Company	212,500	225,250
(c) Key management personnel compensation		
	For the six months ended 30th June	
	2006	2005
Salaries and other short-term employee benefits	3,834	4,223
Post-employment benefits	595	502
Total	4,429	4,725

14. **Pledge of assets**

The Company and its subsidiaries have pledged various assets as collateral against certain loans. A summary of the pledged assets is as follows:

	As at 30th June 2006	As at 31st December 2005
	Sichuan Huaneng Dongxiguan Hydropower Limited Liability Company	
- Dam	209,842	383,423
- Buildings	1,902	1,933
- Electric utility plant in service	28,798	190,306
- Others	9,527	10,485
Sichuan Huaneng Kangding Hydropower Limited Liability Company		
- Electric utility plant in service	19,012	26,798
Sichuan Huaneng Mingtai Hydropower Limited Liability Company		
- Electric utility plant in service	51,712	54,394
Total	320,793	667,339

E. FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS PREPARED UNDER PRC ACCOUNTING STANDARDS

1. **FINANCIAL HIGHLIGHTS AND FINANCIAL RATIOS (UNAUDITED)**

Item	Unit	(Amounts Expressed In RMB)		
		30th June 2006	31st December 2005	Variance (%)
Current assets	Yuan	11,555,643,634	12,063,174,648	(4.21%)
Current liabilities	Yuan	25,679,106,088	21,918,876,427	17.16%
Total assets	Yuan	100,662,024,951	94,947,938,479	6.02%
Shareholders' equity (excluding minority interests)	Yuan	38,079,113,983	39,081,551,960	(2.56%)
Net assets per share (fully diluted)	Yuan/share	3.16	3.24	(2.47%)
Adjusted net assets per share (fully diluted)	Yuan/share	3.14	3.22	(2.48%)
		For the six months ended 30th June 2006	For the six months ended 30th June 2005	Variance (%)
Net profit	Yuan	1,986,250,450	1,620,288,149	22.59%
Net profit (excluding non-recurring items)	Yuan	1,991,189,070	1,645,784,641	20.99%
Earnings per share (fully diluted)	Yuan/share	0.16	0.13	23.08%
Earnings per share (weighted average)	Yuan/share	0.16	0.13	23.08%
Return on net assets (fully diluted)	%	5.22	4.53	15.23%

Item	Unit	For the six months ended 30th June 2006	For the six months ended 30th June 2005	Variance (%)
		Net cash inflow from operating activities	Yuan	
Note: Formula of key financial ratios:				
Earnings per share (fully diluted)	=	Net profit / Total number of ordinary shares as at the end of the period		
Return on net assets (fully diluted)	=	Net profit / Shareholders' equity as at the end of the period x 100%		
Net assets per share (fully diluted)	=	Shareholders' equity as at the end of the period / Total number of ordinary shares as at the end of the period		
Note: Non-recurring items deducted				
		For the six months ended 30th June 2006		
Item				
Net gain on disposal of fixed assets			(694,877)	
Reversal of bad debt provision			(36,726,334)	
Reversal of provision for inventory obsolescence			(12,115)	
Non-operating income			(7,249,603)	
Non-operating expenses			48,523,360	
Subsidy income			(4,968,900)	
Relevant tax impact			6,067,089	
Total			4,938,620	

2. **PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE SIX MONTHS ENDED 30TH JUNE 2006**

	(Amounts Expressed In RMB)			
	For the six months ended 30th June,			
	Consolidated	The Company		
	2006	2005	2006	2005
1. Revenue from principal operations	19,862,116,060	18,860,674,631	12,701,269,262	12,465,249,767
Less: Cost of principal operations	(15,630,952,383)	(15,381,295,296)	(10,424,079,380)	(10,583,594,083)
Tax and levies on principal operations	(67,324,186)	(54,980,528)	(2,738,136)	(3,393,902)
2. Profit from principal operations	4,163,839,491	3,424,398,807	2,274,451,746	1,878,261,782
Add: Profit from other operations	18,564,257	30,598,625	16,154,619	24,682,764
Less: General and administrative expenses	(489,969,740)	(444,897,068)	(352,206,239)	(291,456,064)
Financial expenses, net	(831,621,680)	(687,155,433)	(268,206,772)	(342,163,702)
3. Operating profit	2,860,812,328	2,322,944,931	1,670,193,354	1,269,324,780
Add: Investment income	136,271,764	98,672,174	654,219,064	560,728,153
Subsidy income	4,968,900	—	4,968,900	—
Non-operating income	8,671,047	13,328,952	5,493,298	12,888,342
Less: Non-operating expenses	(49,249,927)	(42,932,245)	(46,919,815)	(3,655,748)
4. Profit before taxation and minority interests	2,961,474,112	2,392,013,812	2,287,954,801	1,839,285,527
Less: Income tax	(560,351,325)	(400,460,328)	(293,487,639)	(218,997,378)
Minority interests	(414,872,337)	(371,265,335)	—	—
5. Net profit	1,986,250,450	1,620,288,149	1,994,467,162	1,620,288,149

3. **NOTES TO THE FINANCIAL INFORMATION (UNAUDITED)**

Comparing with the latest annual report, there is no material change to the Company and its subsidiaries' accounting policies, accounting estimates, and there is no error correction on accounting method during the reporting period.

4. **NET INCOME RECONCILIATION AMONG PRC GAAP, IFRS AND US GAAP (UNAUDITED)**

The financial statements, which are prepared by the Company and its subsidiaries in conformity with PRC GAAP, differ in certain respects from IFRS and generally accepted accounting principles in the United States of America ("US GAAP"). Major differences among PRC GAAP, IFRS and US GAAP, which affect the net income of the Company and its subsidiaries, are summarized as follows:

	Net Income	
	For the period ended 30th June	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit under PRC GAAP	1,986,250	1,620,288
Impact of IFRS adjustments:		
Profit attributable to minority interests	414,872	371,265
Effect of recording amounts received in advance based on rate making process (a)	(26,684)	(5,221)
Difference in the recognition policy on housing benefits to the employees of the Company and its subsidiaries (b)	(19,543)	(20,041)
Difference in capitalization of borrowing costs (c)	103,754	60,572
Effect of recording negative goodwill and amortization (d, h)	(98,881)	(123,639)
Difference in accounting treatment for issuance cost of short-term bonds (e)	11,030	19,290
Difference in recognition of professional fee incurred on acquisitions (f)	—	16,698
Stock warrant issued by China Yangtze Power Co., Ltd. ("Yangtze Power") valued at fair value (j)	37,687	—
Applicable deferred income tax impact of the above GAAP differences (k)	101,277	51,865
Others	21,303	427
Profit under IFRS	2,531,065	1,991,504
Impact of US GAAP adjustments:		
Profit attributable to minority interests	(364,187)	(312,251)
Recording housing benefits provided by HIPDC (b)	(13,076)	(13,076)
Difference in capitalization of borrowing costs (c)	4,387	3,233
Difference in accounting treatment for acquisition of Shandong Huaneng Power Development Company Limited ("Shandong Huaneng") (d)	80,494	80,493
Effect of acquisitions of Huaneng Sichuan Hydropower Co., Ltd. ("Sichuan Hydropower") and Gansu Huaneng Pingliang Power Generation Limited Liability Company ("Pingliang Power Company") (g)	21,841	2,025
Effect of acquisitions of Luohuang Power Company, Yueyang Power Company, Huaneng Yingkou Power Plant ("Yingkou Power Plant") and Huaneng Jinggangshan Power Plant ("Jinggangshan Power Plant") (g)	78,614	81,315
Effect of acquisitions of Henan Huaneng Qinbei Power Limited Company ("Qinbei Power Company"), Shanxi Huaneng Yushe Power Limited Liability Company ("Yushe Power Company") and Huaneng Xindian Power Plant ("Xindian Power Plant") (g)	13,889	13,804
Effect of acquisitions of Huaneng Shanghai Shidongkou I Power Plant ("Shidongkou I Power Plant"), Huaneng (Suzhou Industrial Park) Power Limited Liability Company ("Taicang Power Company") and Huaneng Changxing Power Plant ("Changxing Power Plant") (g)	46,750	55,319
Effect of acquisitions of 20% equity interest of Huaneng Finance, 40% equity interest of Hebei Hanfeng Power Generation Limited Liability Company ("Hanfeng Power Company"), 30% additional equity interest of Shidongkou I Power Plant, 5% additional equity interest of Taicang Power Company and 44.16% equity interest of Jiangsu Huaneng Huaiyin Power Limited Company ("Huaiyin Power Company") (h)	(15,727)	12,741
Effect of reversal of impairment loss on property, plant and equipment and related depreciation impact (i)	(1,433)	—
Applicable deferred income tax impact on the above GAAP differences (k)	(41,399)	(51,146)
Net profit under US GAAP	2,341,218	1,863,961

(a) **Recording of amounts received in advance**

In accordance with the tariff setting mechanism applicable to some of the power plants, the Company receives advance payments (calculated at 1% of the original costs of fixed assets) as the major repairs and maintenance cost requirements of the relevant power plants. Such receipts in advance are recognized as liabilities under IFRS and US GAAP and are recognized as revenue when the repairs and maintenance is performed and the liabilities extinguished. For PRC statutory financial reporting purposes, these amounts are not recorded as liabilities and are recognized as revenue.

(b) **Difference in the recognition policy on housing benefits to the employees of the Company and its subsidiaries**

The Company and its subsidiaries and HIPDC provided housing benefits to certain qualified employees of the Company and its subsidiaries whereby the living quarters owned by the Company and its subsidiaries and HIPDC were sold to these employees at preferential prices. The housing benefits represent the difference between the cost of the staff quarters sold to and the net proceeds collected from the employees, which are borne by the Company and its subsidiaries and HIPDC.

For PRC statutory reporting purposes, in accordance with the relevant regulations issued by the Ministry of Finance, the total housing benefits provided by the Company and its subsidiaries are charged to non-operating expenses as incurred. Under IFRS, such housing benefits provided by the Company and its subsidiaries are recognized on a straight-line basis over the estimated remaining average service lives of the employees.

Under US GAAP, in addition to the recognition of the housing benefits provided by the Company and its subsidiaries on the above basis, the amount of housing benefits provided by HIPDC to the employees of the Company and its subsidiaries are also reflected as the operating expenses of the Company and its subsidiaries using the same amortization policy. The corresponding amount is recorded as a capital contribution from HIPDC.

(c) **Difference in capitalization of borrowing costs**

Under PRC GAAP, the capitalization of interests is limited to specific borrowings. No interest can be capitalized on general borrowings. In accordance with IAS 23, the Company and its subsidiaries capitalized interest on general borrowings used for the purpose of obtaining a qualifying asset in addition to the capitalization of interest on specific borrowings. Under US regulatory accounting requirements, interests on funds borrowed generally and used for the purpose of obtaining qualifying assets are not capitalized if such interests cannot be taken into consideration when determining the recoverable rate base for tariff setting purposes. Consequently, under US GAAP, the Company did not capitalize interest on general borrowings used to obtaining regulatory assets. An adjustment is made to reverse the capitalized interest on general borrowings net of the related depreciation on property, plant and equipment.

(d) **Acquisition of Shandong Huaneng**

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

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

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

Under PRC GAAP, the issuance cost of short-term bonds is expensed as incurred. In accordance with IAS 39, issuance cost is included in the calculation of the effective interest rate and amortized over the expected life of the short-term bonds.

(f) **Difference in recognition of professional fees on acquisition**

Under PRC GAAP, the professional fees directly attributable to the acquisition of subsidiaries should be expensed as incurred. In accordance with IFRS 3, such professional fees should be included in the cost of the combination and therefore capitalized.

(g) **Effect of the Acquisitions of Entities under Common Control**

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

Under PRC GAAP, acquisitions of less than 100% owned power plants or companies are accounted for at cost. The excess of consideration over the share of book value of the net assets acquired is recorded as an equity investment difference and is being amortized on a straight-line basis over a period of not more than 10 years. Acquisitions of wholly-owned companies or 100% of all the assets and liabilities of a company or power plant are accounted for in a manner similar to the purchase method of accounting. Goodwill arising from the latter acquisitions is amortized on a straight-line basis over its estimated useful lives.

Under IFRS, the Company and its subsidiaries adopted the acquisition method to account for the acquisition of:

- (i) 70% equity interest of Shidongkou I Power Plant, 70% equity interest of Taicang Power Company and all of the assets and liabilities of Changxing Power Plant, in July 2002 from Huaneng Group;
- (ii) 55% equity interest of Qinbei Power Company, 60% equity interest of Yushe Power Company and all of the assets and liabilities of Xindian Power Plant in October 2003 from Huaneng Group;
- (iii) 60% equity interest of Luohuang Power Company, 55% equity interest of Yueyang Power Company, 90% equity interest of Jinggangshan Power Plant and all of the assets and liabilities of Yingkou Power Plant in July 2004 from HIPDC and from Huaneng Group; and
- (iv) 60% equity interest of Sichuan Hydropower and 65% equity interest of Pingliang Power Company in January 2005 from Huaneng Group.

Under the acquisition method, the results of the acquired businesses are included in the results of operations of the Company and its subsidiaries from the date of the acquisition. The difference between the purchase consideration and the fair value of the underlying net assets acquired is accounted for as goodwill. In prior years, goodwill arising from the acquisitions in (i) and (ii) above is amortized on a systematic basis to the income statement over its economic useful life, being the remaining weighted average useful life of the acquired depreciable or amortizable assets while goodwill arising from the acquisition in (iii) above is tested annually for impairment and carried at cost less accumulated impairment losses. From 1st January 2005 onwards, goodwill arising from all the acquisitions above is not amortized but is tested annually for impairment and carried at cost less accumulated impairment losses.

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

(h) **Effect of acquisitions of 20% equity interest of Huaneng Finance, 40% equity interest of Hanfeng Power Company, 30% additional equity interest of Shidongkou I Power Plant, 5% additional equity interest of Taicang Power Company and 44.16% equity interest of Huaiyin Power Company**

On 1st July 2002, the Company acquired 44.16% equity interest of Huaiyin Power Company from Huaneng Group. The Company also acquired 30% equity interest of Shidongkou I Power Plant and 5% equity interest of Taicang Power Company from Huaneng Group on 31st December 2002. On 1st July 2004, the Company acquired 40% equity interest of Hanfeng Power Company from Huaneng Group and acquired 20% equity interest of Huaneng Finance in January 2006.

Under PRC GAAP, the excess of the total cost of the acquisition over the book value of Taicang Power Company, Huaiyin Power Company and Hanfeng Power Company is recorded as an equity investment difference. This equity investment difference is amortized on a straight-line basis over 10 years. As the Company has acquired all the equity interest in Shidongkou I Power Plant, the assets and liabilities of Shidongkou I Power Plant are recorded at their fair values. The excess of acquired interest in the book value of Huaneng Finance over the cost of the acquisition was recorded as a capital surplus.

Under IFRS, upon the completion of the above acquisitions, the relevant equity interests of the net assets of the acquired companies and power plants are recorded at fair value. The excess of the total cost of the acquisition over the fair value of the relevant portion of net assets of power plants acquired is accounted for as goodwill. In prior years, goodwill arising from the acquisition of Shidongkou I Power Plant, Taicang Power Company