HUANENG POWER INTERNATIONAL INC
Form 6-K
April 15, 2010

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the month of April, 2010

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)
Form 20-F X Form 40-F _____

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)
Yes ____No X

(If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): 82-__________.)
N/A

Huaneng Power International, Inc.
West Wing, Building C, Tianyin Mansion
No. 2C Fuxingmennan Street
Xicheng District
Beijing, 100031 PRC

This Form 6-K consists of:

The 2009 annual report of Huaneng Power International, Inc. (the "Registrant"), filed by the Registrant on April 9, 2010.

Contents

Company Profile

Huaneng Power International, Inc. (the "Company" or "Huaneng Power") and its subsidiaries are engaged in developing, constructing, operating and managing large-scale power plants throughout China. As at March 2010, the Company is one of China's largest listed power producers with equity-based generation capacity of 45,912MW and controlling generation capacity of 49,433MW, and its domestic power plants are located in 17 provinces, provincial-level municipalities and autonomous regions. The Company also has a wholly-owned power plant in Singapore.

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

The core business of the Company is to develop, construct, and operate large-scale power plants by making use of modern technology and equipment and financial resources available domestically and internationally. As a power generation enterprise, the Company has been since its incorporation insisting on innovations in technologies, structure, management; and on aspects regarding the advancement in power technologies, power plant facilities and mode of management, etc., the Company has been the pioneer and created various milestones within the domestic industry. The Company was the first to introduce a 600MW supercritical coal-fired generating unit into China while its Huaneng Dalian Power Plant was the first one to be awarded the honor of "First Class Coal-fired Power Plant" in China. The generating unit 1 at Huaneng Yuhuan Power Plant is the first operating single 1,000MW ultra-supercritical coal-fired generating unit in China, Huaneng Yuhuan Power Plant was the first domestically made 1,000MW ultra-supercritical coal-fired power plant in China that was put into commercial operation, and the generating unit 1 at Haimen Power Plant was the first 1,000MW generating unit in the world using sea water desulphurisation facilities. The Company was the first power company in China to achieve listing status in New York, Hong Kong and Shanghai. The overall manpower efficiency of the Company has been remaining at the forefront in China's power industry.

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

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

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

Power Plant on Distribution of Huaneng Power

Excel with Clear Strategy

Major Corporate Events in 2009

January	The Company announced an increase of 6.30% in domestic power generation in 2008 over the previous year.
February	The Company announced the completion of the issue of the first tranche short-term debenture in 2009 in an aggregate amount of RMB5 billion.
March	The Company announced the annual results for 2008. Under IFRS, the Company recorded net operating revenue of RMB67.564 billion and a net loss attributable to equity holders of the Company amounting to RMB3.938 billion. Management of the Company held press conference on its annual results in Hong Kong and Beijing respectively.
April	The Company announced that domestic power generation in the first quarter of 2009 decreased by 9.28% compared to the same period of the previous year. The Company announced its first quarterly results for 2009. The net profit attributable to shareholders of the Company reported in the consolidated financial statements of the Company under PRC GAAP was RMB550 million, representing a growth of 127.27% over the same period of the previous year. The Company held a telephone conference following the announcement of its first quarterly results of 2009 with analysts and fund managers within and outside of the PRC.
May	The Company completed the issue of the first tranche medium-term notes in 2009. The 13th Annual Meeting of the Large-scale Coal-fired Generating Unit (600MW) Competition of the PRC announced the competition results for Year 2009. Unit 1 of Huaneng Qinbei Power Plant won the First Class award with an overall second ranking. Unit 2 of Huaneng Dalian Power Plant was conferred the honour of "Golden Unit" in reliability of coal-fired generating unit (300MW). The construction of the two 600MW coal-fired generating units at Huaneng Qinbei Power Plant Phase II was honoured with the "2009 Premium Quality Power Construction in China" award.
June	The Company convened the 2008 Annual General Meeting

July	The Company announced that domestic power generation in the first half year of 2009 decreased by 5.84% compared to the same period of the previous year. Unit 1 at Haimen Power Plant, the first 1,000MW generating unit in the Southern China Grid and Guangdong Province, commenced commercial operation.
August	The Company announced its interim results for 2009, with a net profit attributable to equity holders of the Company of RMB1.870 billion under IFRS, representing a growth of 443.94% compared to the same period of the previous year. The Company held a telephone conference following the announcement of its interim results of 2009 with analysts and fund managers within and outside of the PRC.
September	The Company announced the completion of the issue of the second tranche short-term debenture in an aggregate amount of RMB5 billion. The transaction in which the Company acquired 65% interests in Qidong Wind Power from Huaneng New Energy took effect. The controlling generation capacity and equity-based installed capacity increased by 92MW and 60MW respectively. The construction project of the four 1,000MW ultra-supercritical units at Huaneng Yuhuan Power Plant is the only coal-fired generating construction project shortlisted in the "One hundred major classic construction projects" at the 60th anniversary of New China. The Company acquired 55% interests in Tianjin Huaneng Yangliuqing Co-generation and 41% interests in Huaneng Beijing Co-generation Plant from Huaneng Group and HIPDC respectively, increasing the controlling generation capacity and equity-based installed capacity of the Company by 2,045MW and 1,006MW respectively.
October	The Company announced that domestic power generation in the first three quarters of 2009 increased by 3.08% compared to the same period of previous year. The Company announced its third quarterly results for 2009. Under PRC GAAP, the Company recorded consolidated operating revenue of RMB56.678 billion in the first three quarters of 2009, representing a growth of 6.46% compared to the same period of previous year. The net profit attributable to shareholders of the Company reported in the consolidated financial statements was RMB4.131 billion, representing a growth of 261.37% compared to the same period of previous year. The Company held a telephone conference following the announcement of its third quarterly results of 2009 with analysts and fund managers within and outside of the PRC.

The Company approved the contribution agreement with Huaneng Group and HIPDC. The three companies will cooperate in establishing Shidaowan Nuclear Power Plant, developing, constructing, operating and managing 4 AP1000 pressurized water reactors, and producing and selling electricity and related products.

The Company won the third place of Triple A Corporate Governance Awards 2009 granted by the Asset Magazine.

Unit 2 (with a capacity of 1,036MW) of Haimen Power Plant commenced commercial operation.

The construction of Units 1 and 2 at Haimen Power Plant Phase I is the first 1,000MW generating unit construction in the PRC in which desulphurization and denitrification facilities commenced operations in tandem with the main unit.

November

The Company organized a visit to Beijing Co-generation Power Plant by PRC and overseas securities analysts and fund managers.

The Company announced the adjustments of tariffs of its power plants.

Tuas Power held a commencement ceremony for the Tembusu multi-utilities complex project at the construction site in Jurong Island, Singapore.

December

Unit 3 and Unit 4 at Huaneng Jinggangshan Power Plant passed the 168-hour trial operation, while Unit 3 is the first 660MW ultra-supercritical coal-fired generating unit in the Central China power grid.

Unit 3 at Jinling Power Plant (Coal-Fired) passed the 168-hour trial operation.

Unit 1 and Unit 2 at Liaoning Yingkou Co-generation passed the 168-hour trial operation.

Unit 1 at and Unit 2 at Shandong Jining Co-generation passed the 168-hour trial operation.

Inner Mongolia Huade Wind Power passed the trial operation.

The Company entered into an Equity Interest Transfer Contract with ShanDong Electric Power Corporation and Shandong Luneng Development Group Company Limited in Beijing.

The Board of the Company appointed Mr. Du Daming as Vice President of the Company.

The Board of the Company appointed Mr. Gao Shulin as Chief Economist of the Company.

The Company won the Most Progress in Investor Relations Award granted by IR Magazine of Britain and was nominated for the Best Investor Relations in Corporate Transactions.

The Company won the Award for Information Disclosure 2009 granted by Shanghai Stock Exchange.

Financial Highlights

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

STATEMENT OF COMPREHENSIVE INCOME (NOTE 1)

	Year ended 31 December				
	2005	2006	2007	2008	2009
Operating revenue	40,370,261	44,422,501	49,892,049	67,835,114	76,862,896
Profit/(Loss) before income tax (expense)/benefit	6,592,208	8,016,773	7,319,301	(4,791,556)	5,703,976
Income tax (expense)/benefit	(1,044,297)	(1,127,699)	(838,270)	239,723	(593,787)
Profit/(Loss) after income tax (expense)/benefit	5,547,911	6,889,074	6,481,031	(4,551,833)	5,110,189
Attributable to:					
– Equity holders of the Company	4,871,794	6,071,154	6,161,127	(3,937,688)	4,929,544
– Minority interests	676,117	817,920	319,904	(614,145)	180,645
Basic earnings/(Loss) per share (RMB/share)	0.40	0.50	0.51	(0.33)	0.41
Diluted earnings/(Loss) per share (RMB/share)	0.40	0.50	0.51	(0.33)	0.41

BALANCE SHEET (NOTE 2)

	As at 31 December				
	2005	2006	2007	2008	2009
Total assets	99,439,696	113,938,822	124,296,129	165,917,758	197,887,179
Total liabilities	(53,295,509)	(63,330,130)	(72,216,487)	(123,357,805)	(147,239,059)
Net assets	46,144,187	50,608,692	52,079,642	42,559,953	50,648,120

Equity holders of the Company	40,037,474	43,457,509	46,928,580	36,829,320	42,124,183
Minority interests	6,106,713	7,151,183	5,151,062	5,730,633	8,523,937

Notes:

1. The results for the years ended 31 December 2005, 2006 and 2007 are derived from the historical financial statements of the Company except the revenue has been restated to consistent with the current year's presentation. The results for the years ended 31 December 2008 and 2009 are set out on pages 107 to 108. All such information is extracted from the financial statements prepared under International Financial Reporting Standards ("IFRS").

2. The balance sheets as at 31 December 2005, 2006 and 2007 are derived from the historical financial statements of the Company. The balance sheets as at 31 December 2008 and 2009 are set out on pages 109 to 111. All such information is extracted from the financial statements prepared under IFRS.

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

Power generation For the years ended 31 December

Generation capacity on an equity basis As at 31 December

Save Energy and Go Green for a Better Society

Letter to Shareholders

Outperform with Concerted Efforts
To: All Shareholders,

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

Starting from 2009, the Chinese government took prompt action to address the international financial crisis, including the timely launch of a string of economic stimulus packages and various kinds of fiscal policies, which enabled China's macro economy to step out of the shadows in no time. Recovery of downstream industries continued to bolster the growing demand for electricity in the entire country. Meanwhile, coal price in the domestic market declined from the previous year, indicating that the policy guidance in respect of electricity tariff adjustment put forward by the National Development and Reform Commission has gradually acted on the macro-economy, and in turn furnished a favorable business environment for China's power enterprises, as well as ample room for the profit growth of the power industry.

The year of 2009 marked the 15th anniversary of the founding of Huaneng Power International. Capitalizing on the advantages of China Huaneng Group in the area of resource coordination, the Company managed to optimize its professional management and streamlined operation and maximize synergy effect. It actively embraced the changes in the electricity, fuel and capital markets and was able to meet its annual performance targets. The significant improvement in operating results allowed Huaneng Power International to maintain its leading position in the industry, and in turn shored up the confidence and morale of its staff members while at the same time enhancing its reputation and brand image.

In 2009, the Company made new records in the areas of safe production, operations management, energy conservation, project development, capital operation, corporate governance and so on. Power plants of the Company in the PRC achieved power generation of 203.520 billion kWh, representing an increase of 10.23% over the last year; the consolidated operating revenue for the year was RMB76.863 billion, representing an increase of 13.31% from the corresponding period in 2008. Profit attributable to equity holders of the Company amounted to RMB4.930 billion, and earnings per share was RMB0.41. As for our Singapore operations, Tuas Power achieved the most remarkable annual operating results ever since its establishment despite the complicated market environment, enabling it to contribute to the Company's profit growth.

The Board of Directors of the Company passed a resolution to approve the Proposal of Distribution of Dividends for 2009, pursuant to which the Company will distribute a cash dividend of RMB0.21 (inclusive of tax) to all shareholders for each share.

At present, there is a common understanding in the international society to develop a low-carbon economy and a green economy based on the principle of low energy consumption, low pollution and low emission. It is also the right strategic option that allows governments and enterprises worldwide to ward off impacts of the international financial crisis and to make economic transformation a reality. China has made the approaches addressing climate changes a topic in its domestic economy and social development planning. It strives to develop a green economy and nourish new economic growing points that feature low-carbon emission. To ensure sustainable development, we will proactively walk on the road of green, low-carbon and cyclic development to keep ourselves abreast of the times and act in line with the State's requirements. Besides, the Company will adhere to a scientific development approach during the process of establishing new advantages and breaking new grounds, in the hope of fulfilling its transformation from a traditional power company to a modern power company, and from resource consumption to green governance. Moreover, it will continue to stick to the sustainable development approach that is technology-rich, economically efficient, energy saving and environmentally friendly, so as to make the Company stand out as a first-rate listed power company that boasts prominent edges in terms of geographical location, cutting-edge power-generating technologies, advanced systems and mechanisms, established governance structures, effective joint development, sound fundamental management, as well as the largest asset scale, the highest economic efficiency and the strongest sense of social responsibility.

Adhering to the vision of being a responsible enterprise, we insist on reaping profits in a responsible manner, and supporting the continued enhancement of our corporate competitive edges through a responsible approach. In the future, we will continue to duly perform our economic responsibilities to provide our shareholders with long-term, stable and growing returns; we will continue to perform our safety duties by upholding the people-oriented and safe development approaches, and presenting ourselves as the safest corporation; we will continue to perform our environmental responsibilities by paying heed to people's livelihood and clean development to ensure utilization of resources in an efficient and energy saving manner, and turn the Company into a "green corporation"; we will continue to perform our social responsibilities by creating mutual benefits and win-win scenarios that are conductive to the harmonious development of the Company and its stakeholders, so that the Company may serve as an excellent corporate citizen; and we will continue to shoulder our responsibilities to improve people's livelihood by caring our staff, taking into consideration the public's needs, and safeguarding the legal interests of staff members to ensure the growth of the Company along with its staff.

By inheriting the past and usher in a brighter future, Huaneng Power International takes the lead in the industry and directs its performance, leading the sector to step on the path of sustainable development.

CAO Peixi
Chairman

Beijing, PRC
23 March 2010

Never Rest on Laurels

Management's Discussion and Analysis

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

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

GENERAL

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

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

Looking back in 2009, the general recovery of China's economy and increase in power demand has improved the Company's operating conditions. With the strong support of the shareholders and concerted efforts of the employees, the Company thoroughly applied the scientific development view, focused on the annual production and operation targets, responded actively to changes in power, coal and capital markets, continued pursuing market expansion, enhanced cost control and capital management with the view to reduce cost and improve efficiency, and achieved the annual target of turning loss into profit. In the meantime, the Company continued to diligently fulfill its social responsibilities to provide sufficient, reliable and clean electric power and achieved new progress in the areas of energy saving, project construction, generating units renovation and environmental protection.

A. OPERATING RESULTS

1. 2009 operating results

The Company completed its acquisitions of Huaneng Beijing Co-generation Limited Liability Company, Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company and Huaneng Qidong Wind Power Generation Co., Ltd. in September 2009. The three power generation companies mentioned ("newly acquired power plants", hereinafter) are consolidated into the financial statements of the Company theresince.

The power generation of the Company's power plants for the year ended 31 December 2009 was listed below (in billion kWh):

Power Plant	Power generation in 2009	Power generation in 2008	Change
Dalian	8.386	9.102	-7.87%
Dandong	4.078	4.209	-3.11%

Yingkou	9.402	10.735	-12.42%
Yingkou Co-generation	0.123	—	N/A
Shang’an	11.824	9.299	27.15%
Pingliang	5.077	7.201	-29.50%
Beijing Co-generation	4.394	4.998*	-12.08%
Yangliuqing Co-generation	6.007	6.793*	-11.57%
Yushe	4.464	4.951	-9.84%
Dezhou	14.910	14.022	6.33%
Jining	2.044	2.290	-10.74%
Xindian	3.345	4.241	-21.13%
Weihai	3.720	4.495	-17.24%
Rizhao Phase II	7.307	—	N/A
Qinbei	12.510	10.514	18.98%
Nantong	7.816	8.329	-6.16%
Nanjing	3.654	3.469	5.33%
Taicang	11.537	10.389	11.05%
Huaiyin	7.293	7.458	-2.21%
Jinling CCGT	2.273	2.204	3.13%
Qidong Wind Power	0.153	—	N/A
Shidongkou I	6.847	6.757	1.33%
Shidongkou II	6.691	7.534	-11.19%
Shanghai CCGT	0.847	0.598	41.64%
Luohuang	10.843	11.506	-5.76%
Changxing	1.585	1.516	4.55%
Yuhuan	19.913	19.442	2.42%
Yueyang	5.225	6.016	-13.15%
Jinggangshan	3.194	3.202	-0.25%
Fuzhou	8.511	8.129	4.70%
Shantou Coal-fired	6.198	7.020	-11.71%
Haimen	3.349	—	N/A
Total	203.520	184.628	10.23%

*Beijing Co-generation and Yangliuqing Co-generation were newly acquired generation plants by the Company in 2009. The power generation for these two power plants in 2008 included herein is for reference only and is not included in the aggregate power generation of the Company in 2008.

In 2009, the power generated by Tuas Power in Singapore accounted for 24.30% of the total power generated in Singapore, maintaining a similar level from 2008.

In respect of the tariff, the Company’s average tariff of coal-fired power plants for the year ended 31 December 2009 was RMB412.28 per MWh, increase of RMB28.16 per MWh from the year ended 2008.

In respect of fuel supply and cost controls, the decrease of coal market price contributed to a decrease in fuel cost of the Company. Compared to last year, the Company’s fuel cost per unit of power sold by coal-fired power plants decreased by 13.73% to RMB214.53 per MWh.

Combining the foregoing factors, the operating revenue of the Company and its subsidiaries for the year ended 31 December 2009 increased 13.31% from last year. For the year ended 31 December 2009, the Company and its subsidiaries recorded a net profit attributable to equity holders of the Company of RMB4.930 billion, increased 225.19% compared to the net loss attributable to equity holders of the Company of RMB3.938 billion for the year ended 31 December 2008. The profit position was primarily due to (i) the new generating units' commencement of operation, (ii) newly acquired power plants in 2009, (iii) the carryover effect of the acquisition of SinoSing Power Pte. Ltd. ("SinoSing Power") in 2008, (iv) the carryover effect of the adjustment to power tariffs in the second half of 2008, and (v) the decrease in fuel purchase price which attributed to the decrease in fuel cost.

2. Comparative Analysis of Operating results

2.1 Operating revenue and sale tax

Operating revenue primarily represents power sale revenue. For the year ended 31 December 2009, the consolidated operating revenue of the Company and its subsidiaries amounted to RMB76.863 billion, representing a 13.31% increase form RMB67.835 billion for the year ended 31 December 2008. The increase in operating revenue was primarily attributable to the new generating units' commencement of operations and the acquisitions. The operation of new generating units contributed RMB4.841 billion to the increase, and the acquisitions contributed RMB1.326 billion to the increase.

	Average tariff rate (VAT inclusive) (RMB/MWh)		
Power Plants	2009	2008	Change
Coal-fired Power Plants			
Dalian	368.66	338.05	9.05%
Fuzhou	412.24	401.22	2.75%
Nantong	401.71	385.53	4.20%
Shang'an	372.41	356.52	4.46%
Shantou Coal-fired	525.38	496.60	5.80%
Dandong	366.30	340.82	7.48%
Shidongkou II	411.80	377.04	9.22%
Nanjing	407.58	375.47	8.55%
Dezhou	418.92	394.08	6.30%
Weihai	459.90	422.78	8.78%
Jining	406.10	378.41	7.32%
Shidongkou I	425.76	377.35	12.83%
Taicang I	412.19	401.60	2.64%
Changxing	479.71	450.86	6.40%
Huaiyin Phase II	415.73	396.80	4.77%
Xindian	N/A	371.86	N/A
Yushe	320.53	305.07	5.07%
Yingkou	383.58	360.45	6.42%
Jinggangshan	414.16	379.99	8.99%
Luohuang	373.42	344.98	8.24%
Yueyang	434.26	392.58	10.62%
Qinbei	370.47	339.85	9.01%
Pingliang	261.02	238.89	9.26%
Yuhuan	467.54	444.92	5.08%
Taicang II	398.36	396.48	0.47%

Xindian II	404.30	370.99	8.98%
Haimen	497.45	N/A	N/A
Rizhao Phase II	394.24	N/A	N/A
Yingkou Co-generation	375.00	N/A	N/A
Beijing Co-generation	482.42	467.29	3.24%
Yangliuqing Co-generation	408.12	389.03	4.91%
Other Power Plants			
Shanghai CCGT	629.00	602.57	4.39%
Jinling CCGT	544.97	528.73	3.07%
Tuas Power	765.31	984.53	-22.27%
Qidong Wind Power	487.70	—	N/A

Sales tax mainly consists of taxes associated with value-added tax surcharges. According to relevant administrative regulations, these surcharges include City Construction Tax and Education Surcharges calculated at prescribed percentages on the amounts of the value-added tax paid. These surcharges are not applicable to direct foreign investments that have been approved by the government, thus not payable by certain power plants of the Company. For the year ended 31 December 2009, the sales tax amounted to RMB152 million, representing a 42.79% increase from the RMB106 million for the year ended 31 December 2008.

2.2 Operating expenses

For the year ended 31 December 2009, the total operating expenses of the Company and its subsidiaries was RMB67.537 billion, representing a 2.07% decrease from RMB68.965 billion for the year ended 31 December 2008.

The decrease was primarily attributable to the decrease in fuel prices. The operation of new generating units contributed RMB3.846 billion to the increase in operating expenses. Excluding the factor attributable to the operation of new generating units, the operating expenses decreased by RMB5.274 billion as compared to the operating expenses for the year ended 31 December 2008.

2.2.1 Fuel

Fuel cost represents the majority of the operating expenses for the Company and its subsidiaries. For the year ended 31 December 2009, fuel cost of the Company and its subsidiaries decreased 9.94% to RMB44.861 billion from RMB49.81 billion for the year ended 31 December 2008. The decrease was primarily attributable to the decrease in fuel price. The operation of new generating units accounted for RMB2.921 billion of the increase in fuel cost. Excluding the factor attributable to the operation of new generating units, the fuel cost decreased by RMB7.87 billion as compared to the fuel cost for the year ended 31 December 2008.

For the year ended 31 December 2009, the average price (excluding tax) of natural coal was RMB460.83 per ton, representing a 11.32% decrease from RMB519.66 per ton for the year ended 31 December 2008. Due to the decrease in coal price, the unit fuel cost per unit of power sold by the Company's coal-fired power plants decreased 13.73% to RMB214.53.

2.2.2 Maintenance

For the year ended 31 December 2009, the maintenance expenses of the Company and its subsidiaries amounted to RMB2.035 billion, representing a 19.56% increase from RMB1.702 billion for the year ended 31 December 2008. The operation of new generating units, newly acquired power plants and the maintenance expenses of the existing generating units accounted for RMB110 million, RMB46 million and RMB177 million of the increase, respectively.

2.2.3 Depreciation

For the year ended 31 December 2009, depreciation expenses of the Company and its subsidiaries increased by 11.06% to RMB8.572 billion from RMB7.719 billion for the year ended 31 December 2008. The increase was primarily attributable to the Company's expansion.

2.2.4 Labor

Labor costs consist of salaries to employees and contributions payable to relevant state authorities for employees' housing fund, medical insurance, pension and unemployment insurance, as well as training costs. For the year ended 31 December 2009, the labor costs of the Company and its subsidiaries amounted to RMB3.595 billion, representing a 13.61% increase from RMB3.165 billion for the year ended 31 December 2008. The increase was primarily attributable to the operation of new generating units and newly acquired power plants.

2.2.5 Other operating expenses (including power purchase costs and service fees paid to HIPDC)

Other operating expenses include pollutants discharge expenses, land fee, insurance premiums, office expenses, amortization, and power purchase costs of Tuas Power. For the year ended 31 December 2009, other operating expenses (including power purchase costs) of the Company and its subsidiaries was RMB8.473 billion, representing a 28.99% increase from RMB6.569 billion for the year ended 31 December 2008. The increase was primarily attributable to the operation of new generating units and acquisitions, as well as the provision for impairment loss on assets of Xindian Power Plant upon its shutdown of generators. The operation of new generating units, other expenses of Yingkou Port and the provision for impairment loss on property, plant and equipment contributed RMB265 million, RMB266 million and RMB630 million to the increase of other operating expenses for the year ended 31 December 2009, respectively.

2.3 Financial expenses

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

2.3.1 Interest expense

For the year ended 31 December 2009, the interest expense of the Company and its subsidiaries was RMB4.260 billion, representing a 4.81% increase from RMB4.065 billion for the year ended 31 December 2008. The increase was primarily attributable to expensing instead of capitalizing interest upon commercial operations of new generating units, which accounted for RMB360 million of the increase. Excluding the factor of new generating units, the decrease in interest rate of borrowings attributed to a decrease in the interest expense.

2.3.2 Net exchange differences and bank charges

For the year ended 31 December 2009, the exchange gains less bank charges of the Company and its subsidiaries amounted to RMB-49 million, representing a significant change compared to RMB357 million for the year ended 31 December 2008. For the year ended 31 December 2009, exchange gains of the Company and its subsidiaries was RMB41 million, representing a decrease of RMB368 million from RMB409 million for the year ended 31 December 2008.

2.4 Share of profits of associates

For the year ended 31 December 2009, the share of profits of associates was RMB756 million, a RMB683 million increase from RMB73 million for the year ended 31 December 2008. The increase was primarily due to the increase of profitability of associates for the year ended 31 December 2009.

2.5 Enterprise Income Tax ("EIT")

For the year ended 31 December 2009, the Company and its subsidiaries recorded an EIT expense of RMB594 million, representing a 347.70% increase from RMB-240 million for the year ended 31 December 2008. The increase was primarily due to the increase of the Company's profit for the year ended 31 December 2009.

2.6 Profit for the year, Profit attributable to the Company's equity holders and Minority interests

For the year ended 31 December 2009, the Company and its subsidiaries recorded a net profit of RMB5.110 billion, an increase of RMB9.662 billion as compared to net loss of RMB4.552 billion for the year ended 31 December 2008. The recovery from loss position was largely attributable to (i) the operation of new generating units, (ii) newly acquired power plants in 2009, (iii) the carryover effect of the acquisition of SinoSing Power in the first half of 2008, (iv) the carryover effect of the increase in power tariffs in the second half of 2008 which attributed to an increase in operating revenue, and (v) the decrease in fuel purchase price which attributed to the decrease in fuel cost. For the year ended 31 December 2009, the profit attributable to equity holders of the Company was RMB4.930 billion, representing an increase of RMB8.868 billion from a loss of RMB3.938 billion for the year ended 31 December 2008. Combining the foregoing factors, the minority interests increased to RMB181 million for the year ended 31 December 2009 from RMB-614 million for the year ended 31 December 2008.

2.7 Comparison of financial positions

The assets and liabilities of the Company and its subsidiaries experienced significant change during the year 2009, due to newly acquired power plants and continued investments in construction projects.

2.7.1 Comparison of asset items

As at 31 December 2009, total assets of the Company and its subsidiaries amounted to RMB197.887 billion, representing a 19.27% increase from RMB165.918 billion as at 31 December 2008. Non-current assets increased by 19.05% to RMB173.697 billion, primarily due to the continued investment in construction projects and acquisitions of power plants. Current assets increased RMB4.172 billion, or 20.84%, to RMB24.190 billion, primarily due to the increase in accounts receivable and input VAT recoverables arising from acquisitions of property, plant and equipment and construction materials.

2.7.2 Comparison of liabilities items

As at 31 December 2009, total liabilities of the Company and its subsidiaries amounted to RMB147.239 billion, representing a 19.36% increase from RMB123.358 billion as at 31 December 2008, primarily attributable to the increased borrowings for construction projects. Non-current liabilities of the Company and its subsidiaries mainly consisted of bank loans and bonds. The increase of current liabilities was largely attributable to increased short-term bonds.

As at 31 December 2009, interest-bearing debts of the Company and its subsidiaries totaled RMB129.220 billion. The interest-bearing debts consisted of long-term loans (including those maturing within a year), long-term bonds, short-term loans, short-term bonds and notes payable. The interest-bearing debts denominated in foreign currencies amounted to RMB8.195 billion.

2.7.3 Comparison of equity items

Excluding the impact of profit and profit appropriations, the Company's equity items increased for the year ended 31 December 2009, primarily attributable to after-tax increase of RMB773 million for increase in fair value of the listed shares held by the Company and after-tax increase of RMB575 million from the movements of hedging reserves of Tuas Power.

2.7.4 Major financial position ratios

	2009	2008
Current ratio	0.41	0.38
Quick ratio	0.34	0.28
Ratio of liability and shareholders' equity	3.50	3.35
Multiples of interest earned	1.79	-0.14

Formula of the financial ratios:

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

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

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

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

The current ratio and quick ratio remained at relatively low level as at 31 December 2009 and 2008, and there is slight increase at the year end of 2009 from the year end of 2008. The increase in the ratio of liabilities and shareholders' equity at the year end of 2009 from the year end of 2008 was primarily due to the increased borrowings for construction projects. The multiples of interest earned increased, primarily attributable to the increase in operating profit for the year ended 31 December 2009.

B. LIQUIDITY AND CASH RESOURCES

1. Liquidity

For the year ended 31 December

	2009 RMB billion	2008 RMB billion	Change %
Net cash provided by operating activities	14.981	5.186	188.88%
Net cash used in investing activities	-24.880	-47.957	-48.12%
Net cash provided by financing activities	9.503	41.255	-76.96%
Impact on currency exchange	0.056	-0.229	-124.26%
Net decrease in cash and cash equivalents	-0.34	-1.745	-80.54%
Cash and cash equivalents as of the beginning of the year	5.567	7.312	-23.87%
Cash and cash equivalents as of the end of the year	5.227	5.567	-6.10%

For the year ended 31 December 2009, net cash provided by operating activities of the Company was RMB14.981 billion. The decrease in cash used in investing activities and cash provided by financing activities as compared to prior year was mainly attributed to smaller scale acquisitions in 2009 as compared to the acquisition of SinoSing Power in 2008. The Company expects to continue its focus on construction projects in 2010.

As at 31 December 2009, the cash and cash equivalents of the Company and its subsidiaries denominated in RMB, Singapore dollar, U.S. dollar, and Japanese Yen were RMB3.391 billion, RMB1.580 billion, RMB475 million and RMB6 million, respectively.

As at 31 December 2009, net current liabilities of the Company and its subsidiaries were approximately RMB35.392 billion. Based on the Company's proven financing record, readily available banking facilities and sound credibility, the Company believes it is able to duly repay outstanding debts, obtain long-term financing and secure funding necessary for its operations. The Company has also capitalized on its good credit record to make short-term borrowings at relatively lower interest rates, thus reducing its interest expense.

2. Capital expenditures and cash resources

2.1 Capital expenditures on acquisitions

On 21 April 2009, the Company entered into a transfer agreement with China Huaneng Group ("Huaneng Group"), pursuant to which, the Company agreed to acquire 55% equity interest in Tianjin Huaneng Yangliuqing Co-generation Limited Liability Company held by Huaneng Group for a consideration of RMB1.076 billion. On the same day, the Company entered into a transfer agreement with HIPDC, pursuant to which, the Company agreed to acquire 41%

equity interest in Huaneng Beijing Co-generation Limited Liability Company held by HIPDC for a consideration of RMB1.272 billion. The consideration totaled RMB2.348 billion.

2.2 Capital expenditures on construction and renovation projects

The capital expenditures for the year ended 31 December 2009 amounted to approximately RMB22.620 billion, mainly applied in construction and renovation projects, including RMB167 million for Yuhuan project, RMB747 million for Yueyang expansion project, RMB419 million for Yingkou expansion project, RMB1.371 billion for Qinbei expansion project, RMB233 million for Shang'an expansion project, RMB1.751 billion for Haimen project, RMB1.393 billion for Jinggangshan expansion project, RMB2.458 billion for Jinling coal-fired project, RMB2.035 billion for Shanghai Power Company project, RMB674 million for Jining Co-generation project, RMB346 million for Huade Wind Power project, RMB1.483 billion for Yingkou Co-generation project, RMB1.238 billion for Fuzhou expansion project, RMB748 million for Weihai expansion project and RMB1.225 billion for Pingliang expansion project. The expenditures on other construction projects and renovation amounted to RMB2.251 billion and RMB4.081 billion, respectively.

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

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

(unit: RMB billion)

Project	Capital expenditure arrangements		Contractual arrangements		Financing methods	Funding resources arrangements	Finance costs and note on usage
	2010	2011	2010	2011			
Thermal power projects	14.47	17.715	14.47	17.715	Debts and planned equity financing	Internal cash funding & bank loans, etc.	Within the floating range of benchmark lending interest rates of PBOC
Hydropower projects	0.5	0.1	0.5	0.1	Debts financing	Internal cash funding & bank loans, etc.	Within the floating range of benchmark lending