2001 Interim Report

Powering *tomorrow*

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

CONTENTS

INTERIM RESULTS

The Board of Directors of Huaneng Power International, Inc. (the "Company") is pleased to announce the unaudited operating results for the six months ended 30th June 2001 ("Accounting Period") and its comparison with the operating results for the same period of year 2000. For the six months ended 30th June 2001, the Company realised net operating revenues of RMB7,455.9 million and net profit of RMB1,558.3 million representing an increase of 21.73% and 38.03% respectively compared with the same period of 2000. Earnings per share were RMB0.28 and the net asset value per share was RMB4.26.

The Board of Directors is satisfied with the above results. Details of the operating results are set out in the unaudited financial information below.

BUSINESS REVIEW FOR THE FIRST HALF OF THE YEAR

During the first half of year 2001, the management and all staff of the Company made great efforts in tackling the difficulties in the power market and strengthening the operation and management, thus achieving satisfactory results.

1. **Power Generation**

   During the first half of this year, total power generation of the Company's power plants calculated in terms of equity interest reached 25.86 billion kWh, completing 48.05% of the planned annual power generation and representing an increase of 19.17% compared with the same period of last year. Fully calculated power generation of the power plants of the Company and its subsidiaries (including the total power generation of Jining and Weihai but excluding Rizhao) was 26.45 billion kWh, representing an increase of 21.86% compared with the same period of last year. The increase in power generation was primarily attributable to the acquisition of Shandong Huaneng Power Development Co., Limited ("Shandong Huaneng"). However, power generation of the original power plants of the Company decreased due to newly commissioned capacity and substantial increase of hydro-electricity generation in certain regions.

2. **Cost Control**

   Despite the negative impact of rising coal prices in the PRC, the Company reinforced its cost control measures during the first half of the year and achieved certain results. The unit fuel cost for power sold of the Company for the first half of the year remained basically the same when compared to the relevant period of last year.

3. **Project development and construction**

   The construction work of the 2 x 660MW coal-fired generating units of Dezhou Phase III is progressing smoothly. The quality and investment of the project have been effectively controlled and works are being carried out according to schedule. At the same time, the Company is actively pushing ahead the development of two gas projects in Shanghai and Jinling as well as the expansion of Shangan Phase III, and has made progress in their preliminary work.

4. **Corporate Governance**

In order to improve the corporate governance of the Company and to strengthen its management, the Board has established three special committees, namely, the Financial Committee, the Technology Committee and the Management Committee. The majority of the members of the committees are external directors and independent directors and the chairmen of the committees are all external directors. The establishment of the special committees will strengthen the directing and supervising functions of the Board in respect of the Company's business activities and operations and to more effectively protect the interests of the investors.

5. **Issuance of A Shares**

On 15th February 2001, the extraordinary general meeting of the Company passed resolutions on the issuance of A Shares in the PRC. Preparation work on the issuance of A Shares is progressing smoothly.

6. **Others**

The State Power Corporation awarded Shangan Power Plant and Shantou Coal-fired Power Plant as "First Class Fossil Fuel Power Plant". To date, nine power plants of the Company have been given such an award.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

The Company will face certain challenges and difficulties in the second half of the year, including weak demand for power in certain regions, the risk of tariff adjustments of some power plants and the pressure from rising coal prices. Accordingly, the management and all staff of the Company will continue to strive to overcome the difficulties with full confidence to ensure the achievement of annual targets in terms of generation and operation. The main tasks for the second half of the year include:

1. to ensure the safe operation of all power plants and the achievement of the planned annual power generation;

2. to further reinforce the Company's marketing efforts, to strengthen the analysis on the power market and to fully utilise the advantages of the Company's power plants to increase power generation. At the same time, the Company will actively strive to obtain more power sale by competitive bidding and to increase its share in the power market so as to maximise the interests of the shareholders;

3. to strengthen internal management and cost controls: to continue to focus on fuel costs control by stringently controlling the purchase price of coal, actively tapping new, more economical and suitable types of coal, and greatly promoting blend coal burning and energy saving work; at the same time to strengthen the distribution and utilisation of materials among the Company's power plants, to enhance the management of spare parts and components to reduce inventory, and to increase the market competitiveness of the Company with its cost advantage.

4. to ensure the successful issuance and listing of A Shares in the PRC;

5. to continue to push ahead the preparation work of the proposed projects;

6. to actively seek new opportunities for project development and asset acquisition.

OPERATING RESULTS

A comparison between the results of the first half of year 2001 and those of year 2000. (Amounts expressed in Renminbi ("RMB") unless otherwise stated).

From 1st January 2001, Shandong Huaneng was acquired by the Company, of which Dezhou Power Plant becomes a wholly-owned branch directly managed by the Company. Dezhou Power Plant's operating results are combined into the Company. The Company holds 75%, 60% and 25.5% equity interests respectively in Jining Power Plant, Weihai Power Plant and Rizhao Power Plant. Jining Power Plant and Weihai Power Plant are the subsidiaries of the Company. Their financial statements are consolidated into that of the Company, whereas the results of Rizhao Power Plant are accounted for by equity method.

Summary

During the first half of year 2001, the power generation of the Company and its subsidiaries increased by 21.86% compared with the same period last year, amounting to 26.45 billion kWh (if the power generation of Jining Power Plant, Weihai Power Plant and Rizhao Power Plant is calculated according to the Company's shareholding percentages, the aggregate power generation would be 25.86 billion kWh, representing an increase of 19.17% compared with the relevant period of last year). Therefore, the Company achieved a relatively significant increase in net operating revenues and net profit when compared with the same period of last year. In addition, the Company insisted to adopt the continuing practice of stringent control of costs and expenses. Hence, the unit cost for power sold was basically the same as that of the same period last year despite the pressure of rising coal prices.

Net Operating Revenues

Net operating revenues are operating revenues netted of value-added tax. During the first half of year 2001, the consolidated net operating revenues of the Company and its subsidiaries were RMB7,455.9 million, representing an increase of 21.73% over RMB6,125.0 million of the same period last year.

The substantial increase in net operating revenues was resulted from the expansion of the operation scale after the successful acquisition of Shandong Huaneng. Of the original nine power plants, the amount of power sold of Nanjing Power Plant, Nantong Power Plant and Shantou Coal-fired Power Plant increased 13.75%, 9.31% and 2.27% respectively, over the same period last year. However, the amount of power sold of the other six power plants decreased, to various extent, due to different factors including climate conditions and the commencement of operation of new generating units in certain regions. Accordingly, the total amount of power sold of the original nine power plants decreased by 6.77% from the historical high record of last year.

Operating Cost

The consolidated operating costs of the Company and its subsidiaries increased by 21.62% over the same period last year, amounting to RMB5,204.2 million, which was basically at the same growth rate as the amount of power sold and net operating revenues. The unit cost for power sold was RMB207.45 per MWh, basically the same as RMB207.21 per MWh of the same period last year.

The main operating cost of the Company and its subsidiaries is fuel cost, which totalled RMB2,331.9 million for the first half of year 2001. Owing to the increase in the unit price of coal, the weighted average coal price of the original nine power plants increased by 2.09% compared with RMB221.91 per ton of the same period last year, amounting to RMB226.54 per ton. The unit fuel cost per MWh for power sold increased 1.77% and amounted to RMB93.56. However, the unit prices of coal of Dezhou Power Plant and Jining Power Plant were relatively low. The weighted average prices were RMB161.00 and RMB163.32 per ton respectively during the first half of year 2001, which were substantially lower than the original level of the Company. Therefore, the overall average unit fuel cost for power sold after the acquisition of Shandong Huaneng was reduced when compared with the average level of the original nine power plants during this period, amounting to RMB92.95 per MWh. This reflected the fact that the successful acquisition of Shandong Huaneng had positive effect on the overall operating conditions and competitive advantage of the Company.

Financial expenses

The financial expenses for the first half of year 2001 amounted to RMB456.8 million, representing a decrease of 6.81% compared with RMB490.2 million during the same period of last year. This is mainly attributable to the surplus funding of the Shandong Huaneng, which generated deposit interest income of RMB32.4 million for the Company. Accordingly, the net financial expenses after the acquisition decreased slightly despite the fact that the financial expenses of the original nine power plants were basically the same as those of the same period last year.

Income Tax

After the acquisition of Shandong Huaneng, the Huaneng Shandong branch and Dezhou Power Plant may enjoy the preferential tax treatment available to Sino-foreign enterprises and their income tax rate was reduced from 33% to 17% in the current period. Income tax expenses for the first half of the year were reduced by approximately RMB65.5 million from the amount that would have been due if the original tax rate had been applied.

Net Profit

The consolidated net profit of the Company and its subsidiaries for the first half of year 2001 was RMB1,558.3 million, representing an increase of 38.03% compared with RMB1,128.9 million for the first half of year 2000. This is mainly attributable to the new profit contributions as a result of the consolidation of the operating results of Shandong Huaneng. Moreover, amortization of the negative goodwill (RMB123.6 million) and the decrease in net financial expenses as a result of the acquisition of Shandong Huaneng caused the increase in consolidated net profit to outpace that of power sold and net operating revenues.

Owing to inadequate amount of power sold, Dandong Power Plant recorded net loss of RMB98.6 million during the first half of year 2001, representing an increase of 6.00% in net loss over the same period last year. In addition, Shantou Oil-fired Power Plant also recorded net loss of RMB15.4 million, representing a decrease of 16.23% in net loss over the same period last year.

Comparison of key financial ratios

	30th June 2000	30th June 2001	
		The Company and its subsidiaries	The Company
Current ratio	1.20	0.98	0.99
Quick ratio	1.11	0.89	0.90
Ratio of liabilities and owner's equity	0.81	0.80	0.75
Multiples of interest earned	3.56	4.49	4.63

As the noteholders have the right to redeem the US$230 million convertible notes of the principal amount together with the accrued interest in May 2002, the relevant liabilities have been classified as current liabilities as at 30th June 2001. It leads to the decrease in current ratio and quick ratio when compared with the same period of last year.

However, after the acquisition of Shandong Huaneng, the overall repayment ability (multiples of interest earned) of the Company has increased to a greater extent. As at 30th June 2001, cash and temporary cash investments of the Company and its subsidiaries amounted to approximately RMB4,842 million which were sufficient to meet the daily operating needs and to repay the principal and interest of matured liabilities.

The operating results in the first half of year 2001 reflected that the successful acquisition of Shandong Huaneng not only increased the production capacity of the Company, but also improved and strengthened its capital structure, which enhanced the competitive advantage of the Company.

As at 30th June 2001, total liabilities of the Company and its subsidiaries were approximately RMB19,335 million, and the ratio of liabilities and shareholders' equities was 0.8:1. The Company will issue A Shares to meet the funding requirements for the future development of the Company and to reduce the liability ratio, thereby improving the asset structure.

As at 30th June 2001, the balances of the foreign currency loans of the Company and its subsidiaries were US$1,548 million (including US$281 million convertible notes in principal together with accrued interests) and SwFr6 million, of which US$142 million and SwFr6 million will be due within one year. The Company and its subsidiaries will pay close attention to the fluctuations in the foreign exchange market and cautiously assess the exchange rate risk.

Most of the long-term loans of the Company and its subsidiaries are fixed-rate loans. As at 30th June 2001, the balance of the floating-rate loans of the Company and its subsidiaries were RMB2,277 million. The Company and its subsidiaries made use of the interest rate swap contracts to manage the risk of interest rate fluctuations (Please refer to Note 13 of the financial statements for details).

Calculation formular of the financial ratio:

Ratio of liabilities and owners' equity	=	balance of the liabilities at the end of the period / balance of the shareholders' equity at the end of the period
Liquidity ratio	=	balance of the current assets at the end of the period / balance of the current liabilities at the end of the period
Quick ratio	=	(balance of the current assets at the end of the period - net amount of inventory at the end of the period) / balance of current liabilities at the end of the period
Multiples of interest earned	=	(profit before taxation + interest expenses) / interest expenditures

SHARE CAPITAL STRUCTURE

As at 30th June 2001, the total issued share capital of the Company, excluding the shares which might be converted from the convertible notes, was 5,650,000,000 shares, of which 4,150,000,000 shares were domestic shares, representing 73.45% of the total issued share capital, and 1,500,000,000 shares were foreign shares, representing 26.55% of the total issued share capital. In terms of domestic shares, Huaneng International Power Development Company ("HIPDC") owned a total of 2,382,440,000 shares, representing 42.17% of the total issued share capital of the Company. Other domestic shareholders held a total of 1,767,560,000 shares, representing 31.28% of the total issued share capital.

The US$230 million convertible notes issued by the Company are convertible into foreign shares of the Company at a price of US$29.2 for each American Depository Share on or before 21st May 2004. Assuming the convertible notes were fully converted into foreign shares of the Company, the total issued share capital of the Company would increase by 315,068,493 foreign shares.

The Company is not aware of any conversion of the convertible notes into shares of the Company as at 30th June 2001.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not sell any types of securities and did not purchase or redeem its own shares or other securities in the first half of year 2001.

SHAREHOLDING OF MAJOR SHAREHOLDERS

The following table sets forth the shareholding position of the Company as at 30th June 2001:

	Total shareholdings *('000)*	**Percentage of total shares outstanding** *(%)*
Domestic Shares		
Huaneng International Power Development Corporation	2,382,440	42.17
Hebei Provincial Construction Investment Company	452,250	8.00
Fujian International Trust & Investment Company Limited	334,850	5.93
Jiangsu International Trust & Investment Company Limited	312,375	5.53
Liaoning Energy Corporation	229,685	4.07
Dalian Municipal Construction Investment Company	226,125	4.00
Fujian Huamin (Industrial) Company Limited*	72,400	1.28
Nantong Investment Management Centre	67,875	1.20
Shantou Electric Power Development Company	46,500	0.82
Shantou Power Development Joint Stock Company Limited	19,000	0.34
Dandong Energy Investment Development Centre	6,500	0.11
Sub-total	4,150,000	73.45
Overseas Listed Foreign Shares	1,500,000	26.55
TOTAL	5,650,000	100.00

* *According to the document of Fujian Provincial Government, the shares originally belonging to Fujian Enterprises (Holdings) Co. Ltd are held by Fujian Huamin (Industrial) Company Limited.*

Save and except for the above, the Board of Directors was not aware of any other person who should make the aforesaid disclosure in accordance with section 16(1) of the Securities (Disclosure of Interests) Ordinance.

DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES

As at 30th June 2001, none of the directors, senior managerial staff, supervisors or their associates had any beneficial interests in the securities or debt instruments of the Company which were required to be recorded on the register pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. The Company did not have any arrangement during such period whereby the above persons would acquire benefits by means of the acquisition of shares in, or debentures of, the Company or other corporate body.

DIVIDENDS

It was resolved by the Board of Directors that no interim dividends for year 2001 will be distributed.

MAJOR EVENTS

1. In order to improve the management structure of the Company, to strengthen the duties of the directors and to more effectively protect the interests of the investors, the Company convened a Board of Directors meeting on 23rd May 2001, approving the establishment of certain special committees of the Board, namely, the Financial Committee, the Technology Committee and the Management Committee. The majority of the members of the committees are external directors and independent directors and the chairmen of the committees are all external directors. The establishment of three special committees will strengthen the directing and supervising functions of the Board in respect of the Company's business activities and operations.

2. The Company convened an extraordinary general meeting on 15th February 2001 approving the A Shares issuance. Accordingly, the Company proposes to issue not more than 350,000,000 Renminbi-denominated ordinary shares ("A Shares") in the PRC, of which 100,000,000 legal person shares will be placed to HIPDC and not more than 250,000,000 shares will be issued by way of public subscription. The proceeds of the A Share issuance will be used: (1) to partly settle the consideration for the acquisition of Nanjing Power Plant; (2) to repay the short-term loans borrowed from banks as a result of the acquisition of Shandong Huaneng; and (3) to repay certain long-term bank loans of the Company.

CHANGES IN DIRECTORS, SUPERVISORS AND MANAGEMENT

The Company held the annual general meeting for year 2000 on 23rd May 2001. At the meeting, the resignation of Mr Liu Ming as director and the election of Mr Hu Jianmin and Mr Liu Shuyuan as directors of the Company were approved. The term of office of Mr Hu Jianmin and Mr Liu Shuyuan is from the date of the approval until the expiration of the term of office of this Board of Directors.

CODE OF BEST PRACTICE

The Company has not established an audit committee ("Audit Committee") to review and supervise the financial reporting procedures and internal control of the Company pursuant to paragraph 14 of the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. However, since the establishment of the Company, its organisational structure has, in lieu, a Supervisory Committee which carries out functions similar to those of an Audit Committee. Members of the Company's Supervisory Committee are elected by and can be removed by the shareholders of the Company at a general meeting of shareholders. The Supervisory Committee reports to general meetings of shareholders, whereas an Audit Committee is primarily appointed amongst the independent non-executive directors of a company. Moreover, the function of the Financial Committee of the Board recently established by the Company is also to review the financial conditions, budgets and final accounts of the Company and relevant financial issues.

Apart from this, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not in compliance with the Code of Best Practice at any time during the accounting period.

LEGAL PROCEEDINGS

As at 30th June 2001, 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.

DOCUMENTS FOR INSPECTION

Except for this report, 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 year 2001 will be available at the following addresses or the Company's 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:	(8610) 6649 1999
	Fax:	(8610) 6649 1860
	Postal code:	100031
Hong Kong	Rikes Communications Limited Room 701, Wanchai Central Building 89 Lockhart Road Wanchai Hong Kong	
	Telephone:	(852) 2520 2201
	Fax:	(852) 2520 2241
The Company's website:	http://www.hpi.com.cn	

By Order of the Board
Li Xiaopeng
Chairman

Beijing, the PRC
9th August, 2001

Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

REVIEW REPORT TO THE SHAREHOLDERS OF HUANENG POWER INTERNATIONAL, INC.

(Incorporated in the People's Republic of China with limited liability)

We have reviewed the accompanying condensed balance sheet of Huaneng Power International, Inc. (the "Company") and condensed consolidated balance sheet of the Company and its subsidiaries as at 30th June, 2001, and the related condensed consolidated statements of income, changes in shareholder's equity and cash flows for the six-month period then ended. These financial statements are the responsibility of the management of the Company and its subsidiaries. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standards on Auditing applicable to review engagements. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standards.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong,
9th August, 2001

HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30TH JUNE, 2001

(Amounts expressed in thousands)

	Note	The Company and its subsidiaries	The Company	
		30th June, 2001	30th June, 2001	31st December, 2000
		Rmb	Rmb	Rmb *(Note 19)*
ASSETS				
Property, plant and equipment, net		37,584,664	34,793,322	31,643,530
Land use rights, net		739,844	676,754	576,065
Investment in an associated company		230,243	230,243	—
Investment in subsidiaries		—	813,810	—
Other long-term assets		184,562	893,551	162,591
Less: Negative goodwill		(2,349,144)	(2,349,144)	—
Current assets				
Cash and cash equivalents		3,588,869	3,487,239	1,988,373
Temporary cash investments		1,252,691	985,433	294,925
Short-term investments		131,000	131,000	60,000
Accounts receivable	6	1,549,826	1,537,340	1,196,072
Materials and supplies, net		733,364	652,505	563,741
Other receivables and assets, net		230,986	198,177	5,958,578
Total current assets		7,486,736	6,991,694	10,061,689
Total assets		43,876,905	42,050,230	42,443,875

HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30TH JUNE, 2001

(Amounts expressed in thousands)

	Note	The Company and its subsidiaries 30th June, 2001 Rmb	The Company 30th June, 2001 Rmb	The Company 31st December, 2000 Rmb *(Note 19)*
EQUITY AND LIABILITIES				
Shareholders' equity				
4,150,000,000 Domestic Shares, par value Rmb1.00 each		4,150,000	4,150,000	4,150,000
1,500,000,000 Overseas Listed Foreign Shares, par value Rmb1.00 each		1,500,000	1,500,000	1,500,000
Additional paid-in capital		7,717,674	7,717,674	7,717,674
Dedicated capital	7	2,310,901	2,310,901	2,022,701
Equity component of convertible notes		510,506	510,506	510,506
Retained earnings		7,905,969	7,905,969	7,878,854
Total shareholders' equity		24,095,050	24,095,050	23,779,735
Minority interests		446,400	—	—
Non-current liabilities				
Liability component of convertible notes		—	—	1,370,315
Long-term loans from shareholders		777,755	777,755	782,825
Long-term bank loans		10,582,064	9,971,014	8,885,634
Other long-term loans		361,798	145,307	174,368
Accrued put premium for convertible notes		—	—	380,395
Other financial liabilities	15	8,504	8,504	—
Total non-current liabilities		11,730,121	10,902,580	11,593,537

HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30TH JUNE, 2001

(Amounts expressed in thousands)

	Note	The Company and its subsidiaries	The Company	
		30th June, 2001	**30th June, 2001**	**31st December, 2000**
		Rmb	**Rmb**	**Rmb** *(Note 19)*
Current liabilities				
Short-term bank loans		40,000	—	1,300,000
Current portion of long-term loans from shareholders		74,360	74,360	218,995
Current portion of long-term bank loans		1,330,606	1,330,606	1,431,713
Current portion of other long-term loans		58,123	58,123	58,123
Accounts payable and accrued liabilities	8	2,926,127	2,771,940	2,717,957
Taxes payable		447,350	370,686	529,661
Due to HIPDC		74,147	74,147	130,158
Due to other related parties		15,781	—	—
Bond payable		244,175	—	—
Other payable		579,839	557,912	683,996
Liability component of convertible notes		1,373,714	1,373,714	—
Accrued put premium for convertible notes		441,112	441,112	—
Total current liabilities		7,605,334	7,052,600	7,070,603
Total equity and liabilities		43,876,905	42,050,230	42,443,875

HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Amounts expressed in thousands, except per share data)

		For the six months ended 30th June,	
	Note	**2001**	**2000**
		Rmb	**Rmb**
Operating revenue, net	10	7,455,908	6,124,951
Operating expenses:			
Fuel		(2,331,880)	(1,898,548)
Maintenance		(371,079)	(290,249)
Depreciation and amortization		(1,663,846)	(1,369,564)
Labor		(356,189)	(307,407)
Transmission fees		(16,294)	(8,000)
Service fees to HIPDC		(153,665)	(155,376)
Others		(311,240)	(249,968)
Total operating expenses		(5,204,193)	(4,279,112)
Profit before financial expenses		2,251,715	1,845,839
Interest expenses, net		(448,641)	(488,262)
Exchange losses, net		(8,142)	(1,909)
Total financial expenses		(456,783)	(490,171)
Other income	5	123,639	—
Other expense	15	(8,504)	—
Share of loss of an associated company		(1,626)	—
Profit before taxation	11	1,908,441	1,355,668
Provision for income tax	12	(318,756)	(226,729)
Profit after taxation		1,589,685	1,128,939
Minority interests		(31,370)	—
Net profit		1,558,315	1,128,939
Earnings per share (Rmb)	14	0.28	0.20
Fully diluted earnings per share (Rmb)	14	0.27	0.20

HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2001
(Amounts expressed in thousands)

For the six months ended 30th June, 2001

	Ordinary shares	Additional paid-in capital	Dedicated capital			Equity component of convertible notes	Retained earnings	Total
	Rmb	Rmb	Statutory surplus reserve fund	Statutory public welfare fund	Sub-total	Rmb	Rmb	Rmb
			Rmb	Rmb	Rmb			
Beginning of period	5,650,000	7,717,674	1,532,664	490,037	2,022,701	510,506	7,878,854	23,779,735
Net profit for the period	—	—	—	—	—	—	1,558,315	1,558,315
Transfer to dedicated capital *(Note 7)*	—	—	164,686	123,514	288,200	—	(288,200)	—
Dividends declared *(Note 13)*	—	—	—	—	—	—	(1,243,000)	(1,243,000)
End of period	5,650,000	7,717,674	1,697,350	613,551	2,310,901	510,506	7,905,969	24,095,050

For the six months ended 30th June, 2001

	Ordinary shares	Additional paid-in capital	Dedicated capital			Equity component of convertible notes	Retained earnings	Total
	Rmb	Rmb	Statutory surplus reserve fund	Statutory public welfare fund	Sub-total	Rmb	Rmb	Rmb
			Rmb	Rmb	Rmb			
Beginning of period	5,650,000	7,717,674	1,268,241	291,720	1,559,961	510,506	6,334,264	21,772,405
Net profit for the period	—	—	—	—	—	—	1,128,939	1,128,939
Transfer to dedicated capital *(Note 7)*	—	—	122,648	91,986	214,634	—	(214,634)	—
Dividends declared	—	—	—	—	—	—	(508,500)	(508,500)
End of period	5,650,000	7,717,674	1,390,889	383,706	1,774,595	510,506	6,740,069	22,392,844

HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Amounts expressed in thousands)

	For the six months ended 30th June,	
	2001	**2000**
	Rmb	**Rmb**
Net cash provided by operating activities	2,536,680	2,515,740
Net cash provided by (used in) investing activities	2,043,112	(928,688)
Net cash used in financing activities	(2,979,296)	(1,223,854)
Net increase in cash and cash equivalents	1,600,496	363,198
Cash and cash equivalents, beginning of period	1,988,373	2,493,198
Cash and cash equivalents, end of period	3,588,869	2,856,396

HUANENG POWER INTERNATIONAL, INC. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Company Organization and Principal Activities

The Company was incorporated in the People's Republic of China (the "PRC") as a Sino-foreign joint stock limited company on 30th June, 1994. Currently, the Company and its subsidiaries own and operate twelve power plants, which are located in various provinces of the PRC.

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

2. Acquisition of Shandong Huaneng

On 18th July, 2000, the Company and Shandong Huaneng Power Development Co., Ltd. ("Shandong Huaneng") entered into an agreement under which the Company acquired the net assets of Shandong Huaneng. The shareholders of Shandong Huaneng were entitled to Rmb1.34 per ordinary A share or USD0.1618 per ordinary N share (the "Acquisition"). The total consideration of the Acquisition is approximately Rmb5,768 million paid in cash.

Before the Acquisition, Shandong Huaneng owned and operated the net assets of Dezhou Power Plant and held 60%, 75% and 25.5% equity interests in Weihai Power Plant, Jining Power Plant and Rizhao Power Plant, respectively. These power plants own coal-fired power generating facilities in the Shandong province and sell all the power generated to Shandong Electric Power Group Corporation. After obtaining all the necessary government approvals on the Acquisition, the Company took over the control of the net assets and operation of Shandong Huaneng from 1st January, 2001.

The acquired identifiable assets and liabilities are recorded based on their respective fair values on 1st January, 2001. The Company estimated that the fair value of the net identifiable assets and liabilities of Shandong Huaneng on that date to be approximately Rmb8,272 million. Such estimation was made by the Company based on the current information available, taking into consideration the recoverability and realizability of each asset and liability. The Company may adjust these fair values estimates, after taking into account the possible industry regulatory reform and other matters, unless they relate to specific events or changes in circumstances occurring after the date of acquisition. On the above basis, the resulting negative goodwill amounted to approximately Rmb2,473 million, which is amortized over the remaining weighted average useful life of identifiable acquired depreciable/amortizable assets (ie.10 years) on the straight-line basis, starting from 1st January, 2001.

2. Acquisition of Shandong Huaneng *(Cont'd)*

The fair values of the identifiable assets and liabilities of Shandong Huaneng as at 1st January, 2001 based on management current assessment are as follows:

	Rmb'000
Cash and cash equivalents	2,602,934
Short-term investments	1,513,976
Account receivables	167,324
Materials and supplies	68,460
Other receivables and assets	202,154
Property, plant and equipment, net	5,444,755
Other long-term assets	324,457
Total assets	10,324,060
Current liabilities	(703,697)
Long-term loans	(1,348,024)
Total liabilities	(2,051,721)
Fair values of net assets	8,272,339
Less: Total consideration of the Acquisition	(5,767,898)
Direct costs relating to the Acquisition	(31,657)
Negative goodwill	2,472,784

Summarized unaudited financial information of the above acquired business was as follows:

	As at 30th June, 2001
	Rmb'000
Balance sheet	
Current assets	2,218,128
Total assets	11,418,688
Current Liabilities	2,753,878
Total liabilities	3,582,646

	For the six months ended 30th June, 2001
	Rmb'000
Income statement	
Operating revenue, net	1,707,042
Operating expenses	1,156,797
Net Profit	480,502

3. Principal Accounting Policies

The accompanying condensed consolidated financial statements are prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Committee and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted for the preparation of the condensed financial statements as at and for the six months ended 30th June, 2001 are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31st December, 2000, except that financial instruments are recognized and measured in accordance with IAS 39, which is effective from 1st January, 2001.

In accordance with IAS 39, after initial recognition of a financial asset or financial liability at cost, the Company and its subsidiaries measure each major class of the financial instruments at either the reliable fair value or amortized cost. Regular way purchases and sales of financial assets are accounted for at trade date.

Short-term investments, which represent quoted debt securities, are classified as financial assets held-for-trading. Their fair value is determined based on quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair value subsequent to initial recognition are included in net profit or loss for the period. For the six months ended 30th June, 2001, gain or loss arising from change in the fair value of securities held-for-trading was not material.

Derivatives instruments are recorded as either assets or liabilities in the balance sheet at fair value, which is determined based on appropriate valuation model using assumptions that are based on market conditions prevailing at each balance sheet date. Changes in the fair value of derivatives are recorded each period in current earnings or recognized directly in equity through the statement of changes in shareholder's equity, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction.

The financial effects of adopting IAS 39 did not have a significant impact on the opening balances to these condensed financial statements.

4. Principles of Consolidation

The accompanying condensed consolidated financial statements of the Company and its subsidiaries include Huaneng Power International, Inc. and the companies that it controls. This control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

Details of the consolidated subsidiaries as at 30th June, 2001 were as follow:

Name of subsidiaries	Country and date of incorporation	Company's equity interest	Registered capital	Principal activities
Weihai Power Plant	PRC 22nd November, 1993	60%	Rmb761,832,800	Power generation
Jining Power Plant	PRC 19th February, 1990	75%	Rmb383,010,000	Power generation

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the period are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

4. Principles of Consolidation *(Cont'd)*

Investments in associated companies (generally investments of between 20% to 50% in a company's equity) where a significant influence is exercised by the Company are accounted for by using the equity method. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist. When the investee incurs losses, the Company recognizes its share of losses until the carrying amount of the investment is reduced to nil. Recognition of further losses is discontinued, unless the Company has incurred obligations to the associated company or to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. To the extent that the Company has incurred such obligations, it continues to recognize its share of losses of the investee.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated upon consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

5. Accounting Policies on Goodwill

The excess of the Company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction over the cost of an acquisition is recorded as negative goodwill.

In addition to the purchase consideration, direct costs relating to the acquisition incurred by the Company is included in the cost of acquisition. These include the costs of registering and professional fees paid to accountants, legal advisers, valuers and other consultants to effect the acquisition. General administrative costs, which cannot be directly attributed to the particular acquisition being accounted for, are not included in the cost of the acquisition but are recognized as an expense as incurred.

The amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognized in the income statement as other income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets, which is estimated to be 10 years.

6. Accounts Receivable

The Company and its subsidiaries usually grant one-month credit period to all the local power companies from the end of the month in which the sales are made. As at 30th June, 2001, all accounts receivable were aged within one year.

7. Appropriation and Distribution of Profit

For the six months ended 30th June, 2001, 10% and 7.5% of the after-tax profits, as reflected in the Company's statutory financial statements prepared under PRC GAAP, have been appropriated to the statutory surplus reserve fund and the statutory public welfare fund, respectively. The appropriations for the statutory surplus reserve fund and the statutory public welfare fund are reflected in the balance sheet under shareholders' equity as dedicated capital.

8. **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities comprised:

	As at 30th June, 2001	
	The Company and its subsidiaries	**The Company**
	Rmb'000	**Rmb'000**
Accounts payable	1,027,439	999,083
Accrued liabilities	1,898,688	1,772,857
	2,926,127	2,771,940

As at 30th June, 2001, the aging analysis of accounts payable were as follows:

	As at 30th June, 2001	
	The Company and its subsidiaries	**The Company**
	Rmb'000	**Rmb'000**
Within one year	434,480	416,616
Between one to two years	135,737	125,245
Over two years	457,222	457,222
	1,027,439	999,083

9. **Additional Financial information on Balance Sheet**

As at 30th June, 2001, the net current liabilities of the Company and its subsidiaries and that of the Company amounted to approximately Rmb119 million and Rmb61 million, respectively. On the same date, the total assets less current liabilities of the Company and its subsidiaries and that of the Company were approximately Rmb36,272 million and Rmb34,998 million, respectively.

10. **Sales of Electric Power**

Operating revenue represents amounts billed for electricity generated and transmitted to the ultimate consumers through the respective regional or provincial power companies (net of Value Added Tax ("VAT")). Revenues are billed and recognized upon transmission of electricity to the power grid controlled and owned by the respective power companies and include billings for generation through the end of each month.

11. Profit before taxation

Profit before taxation in the condensed consolidated income statement was determined after charging and (crediting) the following items:

	For the six months ended 30th June,	
	2001	2000
	Rmb'000	Rmb'000
Interest expenditures on borrowings	536,191	529,744
Less: Capitalized in property, plant and equipment	(34,789)	—
Total interest expenses	501,402	529,744
Interest income	(52,761)	(41,482)
Interest expenses, net	448,641	488,262
Depreciation of property, plant and equipment	1,656,818	1,362,885
Amortization of land use rights and other long-term assets	7,028	6,679

12. Provision for Income Tax

Certain of the power plants, being located in specially designated regions or cities, are subject to preferential income tax rates. In addition, all power plants (except for Dezhou power plant, expansion projects other than Shangan power plant Phase II and the two subsidiaries) are exempted from the PRC income tax for two years starting from the first profit-making year (after covering any accumulated deficits) followed by a 50% exemption of the applicable tax rate for the next three years ("tax holiday"). For the six months ended 30th June, 2001, the weighted average effective tax rate applicable to the Company is 17% (for the six months ended 30th June, 2000 the weighted average effective tax rate was 17%).

As at 30th June, 2001, the Company and its subsidiaries had not received any notification from the relevant tax authority in respect of any material change of the present tax rates applicable to the Company and its subsidiaries.

13. Dividends Declared

On 23rd May, 2001, the shareholders approved the declaration of dividends of Rmb0.22 per share, totaling Rmb1,243 million in respect of the year ended 31st December, 2000. As at 30th June, 2001, such dividends have been fully paid.

14. Earnings Per Share

The calculation of earnings per share is based on the net profit attributable to shareholders of approximately Rmb1,558 million (for the six months ended 30th June, 2000: Rmb1,129 million) and the weighted average number of 5,650 million (for the six months ended 30th June, 2000: 5,650 million) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the adjusted net profit attributable to shareholders of Rmb1,623 million (for the six months ended 30th June, 2000: Rmb1,189 million) and the adjusted weighted average number of 5,965 million (for the six months ended 30th June, 2000: 5,965 million) ordinary shares in issue during the period. The calculation assumes that the 1.75% convertible notes had been fully converted at the beginning of the period.

15. Hedging of Interest Rate Risk

The Company's floating rate bank loans expose the Company to interest rate risk. The Company uses derivative instruments, to the extent available in the PRC, to manage exposures arising from changes in interest rates. When considered appropriate, the Company would enter into interest rate swap agreements with local banks to convert certain floating rate bank loans into fixed rate debts of the same principal amounts and for the same maturities to hedge against interest rate risk. As at 30th June, 2001, the notional amount of the outstanding interest rate swap agreements was approximately USD93 million. As at 30th June, 2001, there was a loss amounted to approximately Rmb8.5 million arising from changes in the fair value of the interest rate swaps subsequent to initial recognition. Since the hedging relationship does not meet all of the conditions required for special hedge accounting as set out in IAS 39, such loss was charged to earnings in current period.

16. Supplementary Information to Condensed Consolidated Statement of Cash Flow

Cash flow provided by/(used in) investing and financing activities included the followings:

	For the six months ended 30th June,	
	2001	**2000**
	Rmb'000	**Rmb'000**
Investing activities:		
Capital expenditures on power plant construction and improvement	(1,185,542)	(330,045)
Proceeds from disposal of fixed assets	5,814	13,225
Financing activities:		
Drawdown of:		
— Short-term bank loans	1,140,000	40,000
— Long-term bank loans	825,818	142,789
Repayment of:		
— Short-term bank loans	(2,400,000)	(50,000)
— Long-term loans from shareholders	(149,705)	(538,211)
— Long-term bank loans	(841,774)	(308,032)
— Other long-term loans	(35,036)	(29,062)
— Bond payable	(252,282)	—

17. Related Party Transactions

The related parties of the Company and its subsidiaries are as follows:

Name of related parties	**Nature of relationship**
Huaneng International Power Development Corporation ("HIPDC")	Parent
China Huaneng Group Corporation ("Huaneng Group")	Ultimate parent
China Huaneng Finance Company ("Huaneng Finance")	A subsidiary of Huaneng Group
Shandong Electric Power Group Corporation ("SEPCO")	Minority shareholder of Jining Power Plant
Weihai International Trust and Investment Corporation ("WITIC")	Minority shareholder of Weihai Power Plant

17. **Related Party Transactions** *(Cont'd)*

(a) The significant transactions that the Company and its subsidiaries entered with HIPDC were as follows:

	For the six months ended 30th June,	
	2001	**2000**
	Rmb'000	**Rmb'000**
Service fees on transmission and transformer facilities	153,665	155,376
Rental charge on the land use right of Shanghai Power Plant	3,000	3,000
Rental charge on the land use right of Nanjing Power Plant	667	667
Rental charge on office space	12,500	12,500

	As at 30th June, 2001
	Rmb'000
Long-term bank loans guaranteed by HIPDC	9,369,323
Bank loans on-lent from HIPDC to the Company	812,114
Due to HIPDC (unsecured and non-interest bearing)	74,147

(b) The significant transactions that the Company and its subsidiaries entered with other related parties were as follows:

	As at 30th June, 2001
	Rmb'000
Huaneng Group	
Long-term bank loans guaranteed by Huaneng Group	1,541,581
Huaneng Finance	
Current deposits in Huaneng Finance	982,772
Fixed deposits in Huaneng Finance (interest rate: 2.16% per annum)	500,000
WITIC	
Loans from WITIC (interest rate: 6.21% per annum; repayable from 1994 to 2004)	216,491
Bonds guaranteed by WITIC	244,175
Long-term bank loans guaranteed by WITIC	300,000
SEPCO	
Current deposits in SEPCO	24,000
Due to SEPCO (unsecured and non-interest bearing)	15,781

18. Commitment

Commitments mainly relate to the construction of Dezhou Phase III, supplementary facilities and renovation projects for existing power plants. Commitments outstanding as at 30th June, 2001 not provided for in the balance sheet were as follows:

	As at 30th June, 2001	
	The Company and its subsidiaries	**The Company**
	Rmb'000	**Rmb'000**
Authorized and contracted for	3,017,535	2,973,856
Authorized but not contracted for	108,194	104,487
	3,125,729	3,078,343

19. Prior Year Comparatives

Certain 2000 comparative figures have been reclassified to conform to the current period's presentation as a result of newly effective IAS 39. In accordance with IAS 39, the debt issuance cost of the convertible notes should be considered as the incremental costs that are directly attributable to the acquisition or disposal of a financial asset or liability. The financial liability should be recorded at original amount less the incremental costs. Accordingly, the debt issuance cost of the convertible notes had been offset against the proceeds in arriving at the liability component of the convertible notes.

20. US GAAP Reconciliation

The consolidated financial statements of the Company and its subsidiaries prepared under IAS differ in certain respects from those prepared under generally accepted accounting principles in the United States of America ("US GAAP"). Differences between IAS and US GAAP, which affect the shareholders' equity and net income of the Company and its subsidiaries, are summarized below:

		Shareholders' Equity		**Net Profit**	
		As at 30th June	**As at 31st December**	**For the six months ended 30th June,**	
	Note	**2001**	**2000**	**2001**	**2000**
		Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**
Balances under IAS		24,095,050	23,779,735	1,558,315	1,128,939
Impact of US GAAP adjustments:					
Reversal of equity component of convertible notes	(a)	(510,506)	(510,506)	—	—
Recording housing benefits provided by HIPDC	(b)	—	—	(13,076)	—
Recording capital contribution arising from acquisition of Shandong Huaneng	(c)	862,922	—	—	—
Difference in amortization of negative goodwill	(d)	(43,545)	—	(43,545)	—
Balances under US GAAP		24,403,921	23,269,229	1,501,694	1,128,939

20. US GAAP Reconciliation *(Cont'd)*

(a) Under US GAAP, the entire proceeds of the issue of convertible notes are recorded as long-term liabilities without distinguishing between the equity and liability components. In accordance with IAS, the proceeds received on the issue of the convertible notes are allocated into liability and equity components. The liability component represents the present value of the contractually determined stream of cash flows discounted at the market rate of interest for instruments of comparable credit status providing substantially the same cash flows, on the same terms, but without the conversion option. The equity component is then determined by deducting the liability component from the proceeds received on the issuance of the notes.

(b) HIPDC provided housing benefits to certain qualified employees of the Company whereby the living quarters owned by 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. Under US GAAP, the amount of housing benefits provided by HIPDC to the employees of the Company are recognized as the Company's operating expenses on a straight-line basis over the estimated remaining average service life of the employees. The corresponding amount is recorded as an addition of capital contribution. Under IAS, such housing benefits provided by HIPDC was not reflected in the condensed financial statements of the Company and its subsidiaries.

(c) Huaneng Group is the controlling parent company of HIPDC, which in turn is the controlling parent company of the Company. Huaneng Group used to be one of the substantial shareholders of Shandong Huaneng, holding 33.09% equity interest in it before the Acquisition. Under US GAAP, upon completion of the Acquisition, Huaneng Group's proportionate share in the net assets of Shandong Huaneng being transferred to the Company is 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 is recorded as capital contribution to the Company. Under IAS, upon the completion of the Acquisition, the entire net assets of Shandong Huaneng is recorded at fair values. The excess of the fair values of the entire net assets acquired over the total cost of the Acquisition is recorded as negative goodwill.

(d) The amounts of negative goodwill under IAS and US GAAP are different, as discussed in (c) above. Accordingly, amortization of negative goodwill under IAS is different from that under US GAAP.