

## Report of the Supervisory Committee

### To: All Shareholders

During this reporting period, all members of the Supervisory Committee, aiming at protecting the interest of the shareholders and the benefit of the Company, have performed their supervisory functions in accordance with the Company Law of the People's Republic of China ("Company Law") and the relevant provisions in the Articles of Association of the Company and relevant laws and regulations. By following the principle of acting honestly and in good faith, the Supervisory Committee has carried out its work diligently. The Supervisory Committee has also conducted review on the operational situation, financial position of the Company for 2003 and the performance of duties of the senior management of the Company in 2003. On behalf of the Supervisory Committee of the Company, I am pleased to submit the working report as follows:

### I. WORKING REPORT OF THE SUPERVISORY COMMITTEE FOR 2003

During the reporting period, the Supervisory Committee has held two meetings. Details of the time, venue, attendance and contents of the meetings are as follows:

1. On 11th March 2003, the second meeting of the fourth session of the Supervisory Committee was held in Beijing. All seven members of the Supervisory Committee attended the meeting in person or by proxy. At the meeting, (1) the Working Report of the Company's Supervisory Committee for 2002, (2) the audited financial statement of the Company for 2002, (3) the Company's profit distribution plan for 2002, (4) the annual report and summary of the Company of 2002, and (5) Rules and Procedures for of the Supervisory Committee of Huaneng Power International Inc. together with its extract were discussed and approved.

The Supervisory Committee was of the view that:

- (1) In 2003, the Company strictly observed the Company Law, the Company's Articles of Association and relevant laws and regulations. The Directors and the senior management of the Company, in observing their duties, did not violate laws or regulations or the Company's Articles of Association, or prejudice the Company's interests.
  - (2) All connected transactions conducted by the Company were fair and reasonable, and did not prejudice the interests of shareholders.
2. On 5th August 2003, the third meeting of the fourth session of the Supervisory Committee was held in Beijing. All seven members of the Supervisory Committee attended the meeting in person. The meeting complied with the relevant requirements of the Company Law and the Company's Articles of Association. The interim report of the Company of 2003 and its summary were approved.

During the reporting period, the Supervisors of the Company attended all meetings of the Company's Board of Directors, the annual general meeting of 2002 and the extraordinary general meeting in 2003. At such meetings, all members of the Supervisory Committee conducted careful review and supervision on the lawful operation of the Company.



## II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE RELEVANT MATTERS OF THE COMPANY IN 2003

### 1. Lawful Operation of the Company

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

The Supervisory Committee is of the view that the Board of Directors is capable of conducting regulated operation in strict compliance with the Companies Law, the Securities Law, the Articles of Association of the Company and the relevant regulations and rules and members of the Board of Directors have performed dutifully and diligently and their decisions are scientific and reasonable. The management systems of the Company are effective and the business activities of the Company are lawful. Moreover, the Company was actively improving its internal control system in line with its development. When examining the financial conditions of the Company and supervising the performance of duties by the directors and senior management personnel of the Company, the Supervisory Committee had not found any of their behaviour which contravened any relevant laws or regulations or any issues that has caused damage to the interests of the shareholders.

### 2. Examining the Financial Conditions of the Company

The Supervisory Committee has carefully examined and verified the financial reports of the Company for 2003, profit distribution proposal and capital conversion plan of the Company for 2003 and the 2003 financial statements audited by the auditors inside and outside the PRC without any reservation.

The Supervisory Committee is of the view that the financial reports of the Company for 2003 are true and reliable and objectively reflect the financial positions and operating results of the Company. The Supervisory Committee agreed to the auditors' report issued by the Company's auditors and the profit distribution proposal and capital conversion plan of the Company for 2003.

### **3. Use of the Funds Raised by the Company**

The most recent fund raising by the Company was the issue of A Shares in November 2001. The actual use of the fund raised complies with the Company's undertakings in the A share prospectus.

### **4. Acquisition and Connected Transaction**

During this reporting period, the Company has acquired 25% of interests in Shenzhen Energy Group at Rmb2.39 billion, 55% of the equity interest in the registered capital of Henan Huaneng Qinbei Power Generation Limited, 60% of the equity interest on the registered capital of Shanxi Huaneng Yushe Power Limited Liability Company and all the assets and liabilities of Shandong Huaneng Xindian Power Plant previously owned by China Huaneng Group at Rmb550 million. The latter acquisition constituted connected transaction under the Hong Kong Listing Rules and Shanghai Listing Rules .

The Supervisory Committee was of the view that during the reporting period, the consideration paid by the Company for the acquisitions was reasonable, and was in the benefit of the Company and all of its shareholders.

### **5. Implementation of the Resolutions of the Shareholders' Meeting**

During this reporting period, all members of the Supervisory Committee participated in all board meetings of the Company in 2003 and attended two shareholders' meetings. The Supervisory Committee does not have any objection to the reports and proposals submitted by the Board of Directors to the shareholders' meetings. The Supervisory Committee conducted careful supervision on the implementation of the resolutions adopted at the shareholders' meetings.

The Supervisory Committee is of the view that the Board of Directors is capable of seriously implementing the resolutions adopted at the shareholders' meetings.

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The Supervisory Committee will continue to live up to the shareholders' expectations in 2004 and as usual will work hard to safeguard the interests of the Company and its shareholders and act in strict compliance with the Companies Law and the relevant provisions of the Articles of Association of the Company for the purpose of regulating its operation. The Supervisory Committee will perform its supervisory functions according to law, act on the basis of honesty and credibility, enhance its supervision strength and continue to work hard.

By Order of the Supervisory Committee

**Wei Yunpeng**

*Chairman of the Supervisory Committee*

15th March 2004

