

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 2004 and the performance of duties of the senior management of the Company in 2004. 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 2004

In 2004, the Supervisory Committee made amendments to and completed an overall alteration on its rules and procedures so as to meet the Company's development need. A new vice chairman of the committee was elected. 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 15th March 2004, the fourth meeting of the fourth session of the Supervisory Committee was convened in Beijing and all the seven members of the committee attended the meeting. The financial statements of 2003, profit distribution plan of 2003, proposal of converting reserve fund to share capital, annual report of 2003 and its extract, and report of the Supervisory Committee of 2003 were discussed and approved at the meeting.
2. On 9th August 2004, the fifth meeting of the fourth session of the Supervisory Committee was convened in Beijing. The interim report of 2004 and its extracts, the proposal regarding the amendments to the rules and procedures of the Supervisory Committee and the proposal regarding the election of the Vice Chairman of the Supervisory Committee were discussed and approve.

The convening of these two meetings did comply with the relevant requirements stipulated by the Company Law and the Company's articles of association.

During the reporting period, the Supervisors of the Company attended all meetings of the Company's Board of Directors in 2004, the annual general meeting of 2003 and the class meetings and three extraordinary general meetings in 2004. 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 2004

1. Lawful Operation of the Company

The Supervisory Committee performed effective supervision and examination 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 and the senior management are of the view that the Board of Directors and the senior management are 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 on such jurisdictions in which the Company's shares are listed, and members of the Board of Directors have performed dutifully and diligently and their decisions are scientific and reasonable. During the reporting period, the Company's management system was improved as a result of the continuing modification of the existing system. Further, the Company has actively established its internal control system so as to meet its development need as well as to comply with the relevant regulatory requirements. The business activities of the Company are lawful. 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 2004, profit distribution proposal of the Company for 2004 and the 2004 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 2004 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 2004.

3. Use of the Funds Raised by the Company

The most recent fund raised 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 or Disposal of Assets

During the reporting period, the Company has not entered into any transaction to dispose of its assets, nor was aware of any insider trading. It was not aware of any events which had adverse effect on the shareholders' interest, or which had caused loss of the Company's assets.

5. Fairness of Connected Transactions

During the reporting period, the Company completed the acquisition of 40% equity interest in Hebei Hanfeng Power Generation Limited Liability Company and 90% equity interest in Jinggangshan Huaneng Power Generation Limited Liability Company from China Huaneng Group, and the acquisition of 55% equity interest in Huaneng Hunan Yueyang Power Generation Limited Liability Company, 60% equity interest in Huaneng Chongqing Luohuang Power Generation Limited Liability Company and the entire assets and liabilities in Huaneng International Power Development Corporation Yingkou Power Plant from Huaneng International Power Development Corporation, and the acquisition of 10% equity interest in Jinggangshan Huaneng Power Generation Limited Liability Company from Jiangxi Provincial Investment Corporation.

As approved at the shareholders' meeting on 17th December 2004, the Company completed the acquisition of 60% equity interest in Sichuan Huaneng Hydro Power Development Limited Liability Company and 60% equity interest in Gansu Huaneng Pingliang Power Generation Limited Liability Company from China Huaneng Group. The Supervisory Committee was of the view that the consideration paid by the Company for the acquisitions was reasonable, and the arrangement in relation thereto did comply with the relevant laws and regulations. The connected transactions were fair and in the benefit of the Company and all of its shareholders.

The Supervisory Committee will continue to live up to the shareholders' expectations in 2005 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, 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

Beijing, the PRC
15th March 2005