Supplemental Information for North American Shareholders

(Amounts expressed in thousands of RMB unless otherwise stated)

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

(a) Effect of acquisitions of entities under common control

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

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

(i) 70% equity interest in Shidongkou I Power Plant, 70% equity interest in Taicang Power Company and all of the assets and liabilities of Huaneng Changxing Power Plant ("Changxing Power Plant"), in July 2002 from Huaneng Group;

(ii) 55% equity interest in Qinbei Power Company, 60% equity interest in Yushe Power Company and all of the assets and liabilities of Xindian Power Plant in October 2003 from Huaneng Group;

(iii) 60% equity interest in Luohuang Power Company, 55% equity interest in Yueyang Power Company, 90% equity interest in Jinggangshan Power Plant and all of the assets and liabilities of Yingkou Power Plant in July 2004 from HIPDC and / or from Huaneng Group; and

(iv) 60% equity interest in Sichuan Hydropower and 65% equity interest in Pingliang Power Company in January 2005 from Huaneng Group.

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

(a) Effect of acquisitions of entities under common control *(Cont'd)*

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

(b) Effect of acquisitions of 44.16% equity interest in Huaiyin Power Company, 30% additional equity interest in Shidongkou I Power Plant, 5% additional equity interest in Taicang Power Company and 40% equity interest in Hanfeng Power Company

The Company acquired from Huaneng Group:

(i) 44.16% equity interest of Huaiyin Power Company in July 2002;

(ii) 30% additional equity interest of Shidongkou I Power Plant and 5% additional equity interest of Taicang Power Company in December 2002; and

(iii) 40% equity interest of Hanfeng Power Company in July 2004.

Under IFRS, upon the completion of the above acquisitions, the relevant equity interests of the net assets of the acquired companies and power plants are recorded at fair value. The excess of the total cost of the acquisition over the fair value of the relevant portion of net assets of power plant acquired is recorded as goodwill. In prior years, goodwill arising from the acquisitions of Shidongkou I Power Plant, the Taicang Power Company and the Huaiyin Power Company was amortized on a systematic basis to the statement of income over its useful economic life, being the remaining weighted average useful life of the acquired depreciable or amortizable assets, while goodwill arising from the acquisitions of Hanfeng Power Company was tested annually for impairment and carried at cost less accumulated impairment losses. In the current year, goodwill arising from the acquisitions is not amortized and is tested annually for impairment and carried at cost less accumulated impairment losses.

Under US GAAP, upon completion of the above acquisitions, Huaneng Group's proportionate share in the net assets of Huaiyin Power Company, Shidongkou I Power Plant, Taicang Power Company and Hanfeng Power Company being sold to the Company was recorded at the historical carrying value. The excess of the total cost of acquisition over the net assets acquired was recorded as a deemed distribution. Accordingly, the resulting impact of depreciation and amortization expenses on income is also different.

(Amounts expressed in thousands of RMB unless otherwise stated)

(c) Housing benefits provided by HIPDC

HIPDC sold to certain qualified employees of the Company living quarters owned by HIPDC at preferential prices. The difference between the cost of living quarters and the sales proceeds received from the employees is considered to be housing benefits. Under IFRS, such housing benefits provided by HIPDC are not reflected in the financial statements of the Company. 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 from HIPDC.

(d) Acquisition of Shandong Huaneng Power Development Company Limited ("Shandong Huaneng")

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

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

(Amounts expressed in thousands of RMB unless otherwise stated)

(e) Capitalization of borrowing costs

In accordance with IAS 23, the Company capitalized interest on general borrowings used for the purpose of obtaining a qualifying asset in addition to the capitalization of interest on specific borrowings.

Under US regulatory accounting requirements, interest on funds borrowed generally and used for the purpose of obtaining qualifying assets are not capitalized if such interests cannot be taken into consideration when determining the recoverable rate base for tariff setting purposes. Consequently, under US GAAP, the Company did not capitalize interest on general borrowings used for obtaining regulatory assets. An adjustment is made to reverse the capitalized interest on general borrowings net of the related depreciation on property, plant and equipment.

(f) Reversal of goodwill amortization

In 2004, in accordance with IFRS 3, goodwill arising from acquisitions for which the agreement date was before 31st March 2004 is amortized using the straight-line method over its estimated useful life and recognized in the statement of income as other operating expenses and subject to an impairment review whenever events or changes in circumstances indicate their carrying value may not be recoverable, and annually if the estimated useful life exceeds 20 years. Under US GAAP, in accordance with Statement of Financial Accounting Standard Number 142 "Goodwill and Other Intangible Assets", goodwill arising from acquisition is not amortized but tested for impairment on an annual basis and between annual tests in certain circumstances.

There is no such a GAAP difference in the current year.

(g) Deferred income tax impact

This represents the deferred income tax effect on the above GAAP differences where applicable.

(h) US regulatory accounting

Under US GAAP, Statement of Financial Accounting Standard ("SFAS") No. 71 "Accounting for the Effects of Certain Types of Regulation" is applicable to utilities in the United States whose regulators have the power to approve and / or regulate rates that may be charged to customers. SFAS 71 recognizes that the regulatory process produces economic effects which should be reflected in the financial statements. Because revenues are based on costs, SFAS 71 governs the year in which various costs are included in the statements of income with the objective of matching costs with revenues. Provided that, through the rate setting process, the utility is substantially assured of recovering its allowable costs by the collection of revenue from its customers, such costs not yet recovered are deferred as regulatory assets. The regulatory process may also impose a liability on a rate-regulated enterprise, usually representing obligations to the enterprise's customers, which should be recognized as a regulatory liability.

(Amounts expressed in thousands of RMB unless otherwise stated)

(h) US regulatory accounting *(Cont'd)*

In order to apply SFAS 71, three criteria must be met. These criteria require that a) the power rates for regulated services or products provided to customers be established by or are subject to approval by an independent, third-party regulator or by an entity's own governing board empowered by statute or contract to establish power rates that bind customers; b) the regulated power rates are designed to recover the costs of providing the regulated services or products; and c) in view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that power rates, which are set at levels that will recover costs, can be charged to and collected from customers; this criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

As at 31st December 2005, the Company and its subsidiaries believe that 10 of their power plants (31st December 2004 and 2003: 10 and 12 power plants respectively) meet these specific criteria of SFAS 71. Firstly, the power rates are established by an independent regulator, the provincial or local price bureau. Secondly, the pricing policy applicable to the power plants provides for rate-setting based on the specific costs of the power plants. This process has operated historically and will continue under the pricing policy. Finally, based on the significant demand for electricity in the Company and its subsidiaries' service territory, it is reasonable to assume that the authorized power rates will be collected from customers.

In November 2004, in accordance with the issuance of a government circular on implementation of a full-scope tariff bidding practice that is applicable to two of the Company's power plants located in Northeast China, the Company has discontinued the application of SFAS 71 for these two power plants as the criteria under SFAS 71 are no longer met. Accordingly, these two power plants applied Statement of Financial Accounting Standard Number 101 "Regulated Enterprises - Accounting for the Discontinuation of Application of FASB Statement No. 71" ("SFAS 101"). There was no elimination of assets or liabilities as a result of the application of SFAS 101 as the Company and its subsidiaries did not have any assets and / or liabilities pursuant to SFAS 71 that were not recognized as assets and / or liabilities under IFRS. The Company and its subsidiaries have also performed an impairment review on the property, plant and equipment of the two relevant power plants and have determined that no impairment provision is required.

With respect to the remaining power plants of the Company and its subsidiaries, which were acquired in 2002, 2003, 2004 and 2005, the SFAS 71 criteria mentioned above are not met and, therefore, SFAS 71 cannot be applied. Consequently, these remaining power plants have adopted US GAAP without specific reference to the regulatory basis of accounting provided for under SFAS 71.

Under IFRS, as there is no equivalent regulatory accounting standard, the policy of the Company and its subsidiaries is to recognize regulatory assets established under SFAS 71 only where they comprise rights or other access to future economic benefits as a result of past events; or to recognize regulatory liabilities only where they comprise a present obligation the settlement of which is expected to result in an outflow of resources embodying economic benefits.

(Amounts expressed in thousands of RMB unless otherwise stated)

(i) Impairment of long-lived assets

Impairment of long-lived assets (excluding goodwill)

The carrying amount of long-lived asset (excluding indefinite lived assets and goodwill) under IFRS is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline occurs, the carrying amount is reduced to the recoverable amount based on the expected future cash flow generated by the asset discounted to their present value or the asset's net selling price. A subsequent increase in the recoverable amount is written back to the statement of income when circumstances and events that led to the write-down cease to exist.

Under US GAAP, long-lived assets (excluding goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Subsequent reversal of impairment is not permitted. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Goodwill

Under IFRS, a one-step impairment test is performed. The recoverable amount of the CGU is compared to its carrying amount. The impairment loss is recognized as the excess of the carrying amount over the recoverable amount.

Under US GAAP, goodwill is reviewed for impairment, at the reporting unit level, at least annually or whenever events or changes in circumstances indicate that the recoverability of the carrying amount must be assessed.

Under US GAAP, a two-step impairment test is required:

(i) The fair value and the carrying amount of the reporting unit including goodwill should be compared. If the fair value of the reporting unit is less than the book value, goodwill would be considered to be impaired, then

(ii) The goodwill impairment should be measured as the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill should be determined by allocating fair value to the various assets and liabilities included in the reporting unit in the same manner as goodwill is determined in a business combination.

(Amounts expressed in thousands of RMB unless otherwise stated)

Differences between IFRS and US GAAP which affect the net assets and net profit of the Company and its subsidiaries are summarized below:

	Note	Net Assets As at 31st December 2005	2004
Net assets under IFRS		46,144,187	36,265,519
Minority interests as at 1st January as previously separately reported	i	—	3,266,393
Net assets under IFRS, as restated		46,144,187	39,531,912
Minority interests	i	(6,106,713)	(3,266,393)
Impact of US GAAP adjustments (Note ii) :			
Effect of acquisition of Sichuan Hydropower and Pingliang Power Company	(a)	(1,014,585)	1,350,323
Effect of acquisition of Luohuang Power Company, Yueyang Power Company, Jinggangshan Power Plant and Yingkou Power Plant	(a)	(1,837,845)	(2,007,383)
Effect of acquisition of Qinbei Power Company, Yushe Power Company and Xindian Power Plant	(a)	(342,555)	(369,252)
Effect of acquisition of Shidongkou I Power Plant, Taicang Power Company and Changxing Power Plant	(a)	(472,473)	(775,592)
Effect of acquisition of 40% equity interests in Hanfeng Power Company, 30% additional equity interests in Shidongkou I Power Plant, 5% additional equity interests in Taicang Power Company and 44.16% equity interests in Huaiyin Power Company	(b)	(251,615)	(271,167)
Recording of capital contribution arising from acquisition of Shandong Huaneng	(d)	862,922	862,922
Difference in accounting treatment for acquisition of Shandong Huaneng	(d)	(1,671,048)	(348,364)
Difference in capitalization of borrowing costs	(e)	(109,227)	(87,424)
Reversal of goodwill amortization			
- Reversal of goodwill amortization of equity investment in SEG	(f)	136,599	136,599
- Reversal of goodwill amortization of investment in Huaiyin Power Company	(f)	34,740	34,740
Reversal of impairment loss on property, plant and equipment	(i)	30,080	—
Applicable deferred income tax impact on the above GAAP differences	(g)	1,054,142	595,570
Net assets under US GAAP (Note ii)		36,456,609	35,386,491

(Amounts expressed in thousands of RMB unless otherwise stated)

Differences between IFRS and US GAAP which affect the net assets and net profit of the Company and its subsidiaries are summarized below (Cont'd):

		Net profit For the year ended 31st December ,		
	Note	2005	2004	2003
Net profit under IFRS		5,547,911	5,323,876	5,430,408
Minority interests for the years ended 31st December 2004 and 2003, as previously separately reported as minority interest	i	—	257,053	183,894
Net profit under IFRS, as restated		5,547,911	5,580,929	5,614,302
Profit attributable to minority interests	i	(676,117)	(257,053)	(183,894)
Impact of US GAAP adjustments	ii			
Effect of acquisition of Sichuan Hydropower and Pingliang Power Company	(a)	30,823	341,914	187,203
Effect of acquisition of Luohuang Power Company, Yueyang Power Company, Jinggangshan Power Plant, and Yingkou Power Plant	(a)	169,538	278,027	335,105
Effect of acquisition of Qinbei Power Company, Yushe Power Company and Xindian Power Plant	(a)	26,697	48,116	13,109
Effect of acquisition of Shidongkou I Power Plant, Taicang Power Company and Changxing Power Plant	(a)	303,119	110,524	112,636
Effect of acquisition of 40% equity interest in Hanfeng Power Company, 30% additional equity interest in Shidongkou I Power Plant, 5% additional equity interest in Taicang Power Company and 44.16% equity interest in Huaiyin Power Company	(b)	19,552	25,550	19,347
Recording housing benefits provided by HIPDC	(c)	(26,152)	(26,152)	(26,152)
Difference in accounting treatment for acquisition of Shandong Huaneng	(d)	160,986	(87,091)	(87,091)
Difference in capitalization of borrowing costs	(e)	(21,803)	6,466	(5,478)
Reversal of goodwill amortization				
- Reversal of goodwill amortization of equity investment in SEG	(f)	—	81,960	54,639
- Reversal of goodwill amortization of investment in Huaiyin Power Company	(f)	—	17,370	17,370
- Reversal of impairment loss on property, plant and equipment	(i)	30,080	—	—
Applicable deferred income tax impact on the GAAP differences	(g)	(134,709)	(89,783)	(177,950)
Others		—	8,652	25,434
Net profit under US GAAP		5,429,925	6,039,429	5,898,580

(Amounts expressed in thousands of RMB unless otherwise stated)

(Note i) Consistent with disclosure requirement of revised IAS 1 – Presentation of Financial Statements, minority interests in the consolidated net assets and net profit under IFRS for prior year should be included as a portion of total equity and total profit attributable to shareholders respectively.

(Note ii) Consistent with applying the accounting treatment under US GAAP as described in Note (a) above, the consolidated net assets and net profit under US GAAP for prior years presented have been retroactively restated as if the current structure and operations resulted from the acquisitions of Xindian Power Plant, Qinbei Power Company, Yushe Power Company, Jinggangshan Power Plant, Yingkou Power Plant, Yueyang Power Company, Luohuang Power Company, Sichuan Hydropower and Pingliang Power Company had been in existence since the beginning of the earliest year presented.

In preparing the summary of differences between IFRS and US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Accounting estimates have been employed in these financial statements to determine reported amounts, including realizability, useful lives of assets and other areas. Actual results could differ from those estimates.

The following are condensed combined balance sheets of the Company and its subsidiaries as at 31st December 2004 and 2005, and the related condensed combined statements of income, changes in shareholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended 31st December 2005, restated to reflect the impact of the effect of the acquisition of entities under common control which is accounted for at historical cost in a manner similar to the pooling of interests method, with financial data of previously separate entities combined, under US GAAP and other differences between IFRS and US GAAP.

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined balance sheets

	As at 31st December	
	2005	2004
ASSETS		
Non-current assets		
Property, plant and equipment, net	74,554,743	64,561,441
Investments in associates	4,314,634	4,037,852
Land use rights	1,150,420	1,029,167
Available-for-investment	1,033,225	254,990
Other non-current assets	336,379	382,077
Deferred income tax assets	200,076	219,525
Goodwill	136,053	78,448
Total non-current assets	81,725,530	70,563,500
Current assets		
Inventories, net	2,311,357	1,486,206
Other receivables and assets, net	855,952	861,139
Accounts receivable, net	6,022,426	5,542,775
Due from HIPDC	21,847	—
Due from other related parties	—	14,970
Current portion of deferred income tax assets	87,049	94,966
Restricted cash	201,276	202,688
Temporary cash investments	2,652	12,641
Cash and cash equivalents	2,647,665	2,862,235
Total current assets	12,150,224	11,077,620
Total assets	93,875,754	81,641,120

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined balance sheets *(Cont'd)*

	As at 31st December	
	2005	2004
EQUITY AND LIABILITIES		
Share capital	12,055,383	12,055,383
Additional paid-in capital and other additional capital	17,337,991	17,295,916
Retained earnings	6,426,271	6,035,192
Accumulated other comprehensive income	636,964	—
Shareholders' equity	36,456,609	35,386,491
Minority interests	4,954,726	4,126,923
Non-current liabilities		
Long-term loans from a shareholder	2,800,000	800,000
Long-term bank loans	25,711,255	21,643,541
Other long-term loans	351,009	585,124
Deferred income tax liabilities	319,324	168,101
Other non-current liabilities	168,328	89,966
Total non-current liabilities	29,349,916	23,286,732
Current liabilities		
Accounts payable and other liabilities	6,905,240	5,134,783
Dividends payable to shareholders of the Company	—	8,250
Taxes payable	1,131,284	1,210,153
Due to Huaneng Group	50,720	62,919
Due to HIPDC	53,230	1,258,799
Due to other related parties	29,620	13,426
Staff welfare and bonus payables	251,949	275,602
Short-term bonds	4,938,250	—
Short-term loans	6,580,870	8,593,300
Current portion of long-term bank loans	2,653,339	1,971,021
Current portion of other long-term loans	512,640	312,721
Current portion of deferred income tax liabilities	7,361	—
Total current liabilities	23,114,503	18,840,974
Total equity and liabilities	93,875,754	81,641,120

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined statements of income

	For the year ended 31st December ,		
	2005	2004	2003
Operating revenue	40,190,004	35,181,649	30,494,213
Sales tax	(113,475)	(72,933)	(67,367)
Operating expenses			
Fuel	(21,202,952)	(16,556,803)	(11,403,228)
Maintenance	(1,165,374)	(1,035,045)	(1,194,994)
Depreciation	(5,696,142)	(5,413,807)	(5,626,729)
Labor	(2,513,457)	(2,178,940)	(1,856,980)
Service fees to HIPDC	(141,102)	(133,609)	(230,792)
Income tax expenses	(1,179,007)	(1,264,640)	(1,408,125)
Others	(1,438,635)	(946,782)	(1,111,246)
Total operating expenses	(33,336,669)	(27,529,626)	(22,832,094)
Income before financial expenses	6,739,860	7,579,090	7,594,752
Interest income	53,685	58,986	68,060
Interest expenses	(1,457,490)	(1,235,426)	(1,382,723)
Bank charges and exchange gain / (losses), net	241,691	(107,492)	(198,257)
Total financial expenses, net	(1,162,114)	(1,283,932)	(1,512,920)
Share of profit of associates	652,691	465,440	266,761
Minority interests	(800,512)	(721,169)	(450,013)
Net profit attributable to the shareholders	5,429,925	6,039,429	5,898,580
Basic earnings per ordinary share under US GAAP (RMB) (Notes i, ii)	0.45	0.50	0.49
Basic earnings per American Depository Shares ("ADS") under US GAAP (RMB) (Notes i, ii)	18.02	20.04	19.60
Diluted earnings per ordinary share under US GAAP (RMB) (Notes i, ii)	0.45	0.50	0.49
Diluted earnings per ADS under US GAAP (RMB) (Notes i, ii)	18.02	20.02	19.57

(Note i) Earning per ordinary shares and per equivalent ADS were calculated by dividing the net profit for the financial year under US GAAP by the weighted average number of ordinary shares and ADS in issue during the financial year. On a diluted basis, both net profit for the financial year and the weighted average number of ordinary shares and ADS outstanding for the financial year were adjusted on the assumption that the convertible notes had been fully converted at the beginning of the year.

(Note ii) As the number of ordinary Shares and equivalent ADS outstanding increased as a result of a stock split in 2004, the computation of basic and diluted earnings per share and equivalent ADS have been adjusted retroactively for the proportional change in the number of ordinary shares and equivalent ADS outstanding for all the periods presented to reflect the stock split.

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined statements of changes in shareholders' equity

Balance as at 1st January 2003	31,627,429
Dividends relating to 2002	(2,049,408)
Net profit attributable to shareholders for the year ended 31st December 2003	5,898,580
Conversion of convertible notes to new ordinary shares	165,548
Net deemed capital distribution to Huaneng Group arising from the acquisition of the equity interests of Qinbei Power Company, Yushe Power Company and Xindian Power Plant	(506,664)
Contribution from Huaneng Group	198,327
Distribution to HIPDC	454,927
Capital contribution from HIPDC arising from housing benefits provided by HIPDC	26,152
Balance as at 31st December 2003	35,814,891
Dividends relating to 2003	(3,013,836)
Net profit attributable to shareholders for the year ended 31st December 2004	6,039,429
Conversion of convertible notes to new ordinary shares	124
Net deemed capital distribution to Huaneng Group arising from the acquisition of Jinggangshan Power Plant	(573,534)
Net deemed capital distribution to HIPDC arising from the acquisition of Luohuang Power Company, Yueyang Power Company and Yingkou Power Plant	(2,564,000)
Contribution from Huaneng Group	(354,470)
Contribution from HIPDC	11,735
Capital contribution from HIPDC arising from housing benefits provided by HIPDC	26,152
Balance as at 31st December 2004	35,386,491
Dividends relating to 2004	(3,013,846)
Net profit attributable to shareholders for the year ended 31st December 2005	5,429,925
Net deemed capital distribution to Huaneng Group arising from the acquisitions of Sichuan Hydropower and Pingliang Power Company	(2,025,000)
Capital contribution from HIPDC arising from housing benefits provided by HIPDC	26,152
Dividend waived by a shareholder of an associate	15,923
Fair value gains from an available-for-sale investment, net of tax	636,964
Balance as at 31st December 2005	36,456,609

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined statements of cash flows

	For the year ended 31st December ,		
	2005	2004	2003
Net cash provided by operating activities	9,313,657	11,028,971	12,284,122
Net cash used in investing activities	(14,587,880)	(13,067,191)	(7,708,774)
Net cash provided by / (used in) financing activities	5,059,653	226,001	(3,753,866)
Net (decrease) / increase in cash and cash equivalents	(214,570)	(1,812,219)	821,482
Cash and cash equivalents, beginning of the year	2,862,235	4,674,454	3,852,972
Cash and cash equivalents, end of the year	2,647,665	2,862,235	4,674,454

Statement of comprehensive income

	For the year ended 31st December 2005
Net profit attributable to the shareholders	5,429,925
Unrealized holding gains arising during the year	749,369
Related income tax expense	(112,405)
Other comprehensive income, net of tax	636,964
Comprehensive income	6,066,889

For the years ended 31st December 2004 and 2003, apart from net income, there was no other comprehensive income which should be included in the statements of comprehensive income.

(Amounts expressed in thousands of RMB unless otherwise stated)

New accounting pronouncements

In 2004 and 2005, the Financial Accounting Standard Board ("FASB") issued SFAS 153, Exchange of Nonmonetary Assets, and SFAS 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3.

SFAS 153 amends APB Opinion No. 29 on Accounting for Nonmonetary Transactions, to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception of exchanges of nonmonetary assets that do not have commercial substance. It defines a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after 15th June 2005. Management considered the effects of adoption SFAS 153 and does not expect any material impact on the financial statements.

SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle and applies to all voluntary changes in accounting principle instead of including in net income of the period of the change the cumulative effect of changing to the new accounting principle governed previously by APB Opinion No. 20 and SFAS 3, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change, while SFAS 154 states the guidance for dealing with the impracticable situation above. SFAS 154 requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. SFAS 154 shall be effective for accounting changes and corrections of errors made in fiscal years beginning after 15th December 2005. Management considered the effects of adopting SFAS 154 and does not expect any material impact on the financial statement.