



Internal Control

Establishing a Sound Management System

Corporate Governance Report



The Company has been consistently stressing the importance of corporate governance through promoting innovation on the Company's system management and strengthening the establishment of the Company's system. It strives to enhance the transparency of the Company's corporate governance standards and to maintain high-quality corporate governance on an ongoing basis. The Company insists on adopting the principle of "maximizing the benefits of the Company and of all shareholders" as the starting point and treats all shareholders fairly in order to ensure the generation of long-term, stable and growing returns for shareholders.

(A) CODE OF CORPORATE GOVERNANCE

In recent years, the Company adopted the following measures in order to strengthen corporate governance and enhance the Company's operation quality:

(1) Enhancing and improving corporate governance

Except from complying with the provisions of the applicable laws, as a public company listed in three markets both domestically and internationally, the Company is subject to the regulations of the securities regulatory authorities of the three listing places and the supervision of investors at-large. Accordingly, our fundamental principles are

adopting a corporate governance structure that balances and coordinates the decision-making powers, supervisory powers and operating powers, acting with honesty and integrity, complying with the law and operating in accordance with the law.

Over the past years, the Company's Board formulated and implemented the Rules and Procedures of the Board of Directors Meetings; the Rules and Procedures of the Supervisory Committee Meetings; the Detailed Rules on the Work of the General Manager; the Detailed Rules on the Work of the Strategy Committee of the Board of Directors; the Detailed Rules on the Work of the Audit Committee of the Board of Directors; the Detailed Rules on the Work of the Remuneration and Appraisal Committee of the Board of Directors; the Detailed Rules on the Work of the Nomination Committee of the Board of Directors; and the System on Work of Independent Directors. The Board has also discussed and approved a number of proposals on the amendments to the Articles of Association. The Audit Committee of the Company's Board has successfully held various meetings to discuss financial management issues encountered during the course of operation of the Company in order to seek scientific resolutions to steadily raise the Company's governance level. The Company has complied with the provisions of the Code of Corporate Governance Practices in Appendix 14 to the Hong Kong Listing Rules in this accounting year.

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(2) Enhancing and improving the information disclosure system

The Company has been stressing the importance of external information disclosure. The Company has established the Information Disclosure Committee which comprises managers of various departments and headed by the Vice President and the Chief Accountant, and is responsible for examining the Company's regular reports. The Company has implemented the system of holding regular information disclosure meetings every Monday chaired by the Vice President and the Chief Accountant who will report on the Company's important matters of the week, thereby warranting the Company's performance of the relevant information disclosure. The Company has successively formulated and implemented a series of rules including the Provisions on the Management of External Information Disclosure Work, the Measures on Investor Relations Management, the Provisions on Internal Reporting of External Disclosure of Material Information, the Detailed Rules on the Work of the Information Disclosure Committee, the Interim Provisions on the Work Procedures of Capital Operation and the Rules and Procedures for the Shareholders' Meetings. Relevant departments of the Company compiled answers (and subsequent updates) to questions regarding the hot topics of market concerns, the Company's production, operation and operating results in a timely manner, which shall become the basis of external communication after being approved by the Company's management and the authorized representatives of the Information Disclosure Committee. Also, the Company engages US, Hong Kong and mainland lawyers to conduct professional training for the personnel of the Company responsible for information disclosure on an irregular basis in order

to continuously enhance their level of professionalism. The implementation of the above rules and measures ensures that the Company completes various external disclosure work effectively, thereby increasing the transparency of the Company's operation and obtaining good social benefits.

(3) Regulating financial management system, strengthening internal control

The credibility of a listed company, to a large extent, relates to the quality of the preparation of financial statements and a regulated operation of financial activities. In order to regulate its financial management, the Company has completed a large amount of specific and detailed work, including:

1. In order to strictly implement the accounting rules, accounting standards and accounting systems, to strengthen accounting and accounts supervision, and to truthfully and fairly reflect the financial position, operating results and cash flow, the Company has compiled the Measures on Accounting, the Measures on Construction Accounting, the Guidelines on Construction Accounting, the Measures on Fixed Assets Management, Lists of Fixed Assets and the Measures on Cost Management. The Company's Board and the Audit Committee have examined the Company's financial reports on a quarterly basis and the Company has fulfilled the requirements of making the Chairman, the President and the Chief Accountant responsible for the authenticity and completeness of the financial reports.

2. In order to safeguard the independence of the listed company, the Company realized the separation of personnel in organizational structure and specifically established the Accounts Auditing

Division and Funds Management Division responsible for the entrusted business (the business related to the assets entrusted by Huaneng Group for management) so that the Company may realize the complete separation of the listed company and the controlling shareholder in terms of personnel, assets and finances according to the laws and regulations of the State and the requirements of regulatory rules.

3. The Company has been stressing the importance of establishing a sound internal control system, in order to strengthen internal management and to effectively enhance the capability of risk prevention, and in 2003 the Company initiated to strengthen its work in this regard. The Company has added and amended various regulations relating to internal control and produced the Internal Control Handbook (Second Edition). The Company has established the Taskforce of Internal Control under which offices are established. An internal control division has been set up under the Company's Finance Department. An internal control management team has been formed and specialists have been stationed in each departmental division and each power plant, thereby effectively advancing the improvement work on internal control. This year, with the combined efforts of all staff of the Company, internal control work reported continuous progress, and significant results for full improvement in internal control work have been achieved.

In 2006, with reference to the basic principles and content of internal control and in order to fulfill the requirement of the Sarbanes-Oxley Act, the Company completed the work on eight aspects: establishing clearly the plans and targets of internal control measures; establishing a sound internal control organizational system; strengthening the

building of management system; designing and improving the Internal Control Handbook and Internal Control Assessment Handbook; evaluating organizational internal control and remedying defects; strengthening promotion and training on internal control; reducing the cost of internal control with the use of internal control software; and establishing a mechanism for the monitoring of internal control. The Internal Control Handbook has become the Company's code of laws for internal management. The Company has completed the establishment, operation and two rounds of assessment of the internal control system within the year. The assessment results indicate that the Company has achieved concrete progress in internal control work, meeting the requirements of the two "efficiencies" of internal control design and operation as specified by Section 404 of Sarbanes-Oxley Act, therefore successfully realizing the goals at the beginning of the year. The external auditors, PricewaterhouseCoopers, has issued an unqualified audit report for the internal control work of the Company in 2006. The Company is among the first batch of PRC enterprises listed in the US to fulfill the internal control over financial reporting requirements of Section 404 of Sarbanes-Oxley Act.

In addition, the Company have complied with the provisions of the Code of Corporate Governance Practices in Appendix 14 of the Hong Kong Listing Rules in a comprehensive manner.

4. In regard to fund management, the Company has successfully formulated a number of management measures including the Measures on Financial Management, the Interim Measures on the Management of Funds Receipts and Expenses and the relevant examination measures, the Measures on Management of Fund Raising and the Measures on the Management of Bills of

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Exchange. The Company's Articles of Association also set out provisions relating to loans, guarantees and investment. In the annual report of the Company over the previous years, the Company has engaged registered accountants to conduct auditing on the use of funds by the controlling shareholders and other related parties and issue individual statements according to the requirements of the China Securities Regulatory Commission ("CSRC") and the Shanghai Stock Exchange, and there has not been any violation of rules relating to the use of funds. Moreover, the Company also conducted quarterly checking and clearing with related parties in relation to the operational fund transfers in order to ensure the safety of funds. At the same time, the Company has reported the fund use position each quarter to the Beijing Securities Regulatory Bureau of CSRC and urged itself to comply with the relevant provisions at any time.

The above systems and measures have formed a sound management framework for our production and operation. The timely formulation and strict implementation of the above regulations not only ensure the on-going standardization of operations of the Company and gradual enhancement of corporate management quality, but also enable the Company to win honorable acclaims over the past years, including: "The Best Corporate Governance Award in China"; ranked first in "The Overall Best Managed Company in China"; ranked first in "The Best Company in Corporate Strategy and Best Operational Efficiency in China"; ranked second in "Most Concerned with Shareholders' Value"; "The Best Investor Relations Award"; "The Best Utilities Company Award in Asia"; "The Best Information Disclosure Communication for Acquisitions and Mergers Award"; and "The Best Corporate Governance in China". The above awards were conferred by authoritative publications in the international capital market including *Institutional Investors Magazine*, *Euromoney*, *Asiamoney*, *Asia Finance*, *IR Magazine* and *The Asset*, thus

establishing a good overall image for the Company in both the domestic and international capital markets.

(B) SECURITIES TRANSACTIONS BY DIRECTORS

As the Company is listed in three places, the Company has strictly complied with the relevant binding clauses on securities transactions by directors imposed by the regulatory authorities of the US, Hong Kong and China and we insist on the principle of complying with the strictest clause, that is, implementing the strictest clause among three places. We have adopted a set of standards not lower than The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules as the model code for securities dealings by directors of the Company. Following a specific enquiry on all the directors and senior management of the Company, all the directors (except for Mr. Na Xizhi holding 7,240 circulating A shares of the Company as at 31st December 2006) do not hold any shares in the Company and there is no material contract in which the directors directly or indirectly have material interests.

(C) BOARD OF DIRECTORS

The Company's Board of Directors comprised 15 members. Currently, there are 14 members, with Mr. Li Xiaopeng as Chairman, and Mr. Huang Yongda and Mr. Huang Long as Vice Chairmen of the Board; the Executive Directors of the Company are Mr. Li Xiaopeng (Chairman) and Mr. Na Xizhi (President); other Non-executive Directors are: Mr. Wu Dawei, Mr. Ding Shida, Mr. Shan Qunying, Mr. Xu Zujian and Mr. Liu Shuyuan. The Company has five Independent Non-executive Directors comprising one-third of the members of the Company's Board of Directors, namely, Mr. Wu Yusheng, Mr. Yu Ning, Mr. Qian Zhongwei, Mr. Xia Donglin and Mr. Liu Jipeng.



Environmental Endeavors

Utilizing Resources Effectively

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The Board of Directors of the Company has held nine meetings during this financial year including regular meetings and ad hoc meetings (including those with voting by communication). Details of the attendance of directors at the board meetings are as follows:

Name	Number of meetings to be attended	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate (%)
Executive Directors				
Li Xiaopeng	9	7	2	77.78 (Attendance by proxy rate: 22.22)
Na Xizhi	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Non-executive Directors				
Huang Yongda	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Huang Long	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Wu Dawei	9	9	0	100
Shan Qunying	9	5	3	55.56 (Attendance by proxy rate: 44.44)
Ding Shida	9	7	2	77.78 (Attendance by proxy rate: 22.22)
Xu Zujian	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Liu Shuyuan	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Independent Non-executive Directors				
Qian Zhongwei	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Xia Donglin	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Liu Jipeng	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Wu Yusheng	9	7	2	77.78 (Attendance by proxy rate: 22.22)
Yu Ning	9	8	1	88.89 (Attendance by proxy rate: 11.11)
Retiring Directors				
Wong Xiaosong	2	2	0	100

The Company's Articles of Association set out in detail the duties and operational procedures of the Board (please refer to the Company's Articles of Association for details). The Board of the Company holds regular meeting to hear the report on the Company's operating results and makes decision. Material decisions on operation shall be discussed and approved by the Board. Ad hoc meetings may be held if necessary. Board meetings include regular meetings and ad hoc meetings. Regular meetings of the Board include: annual meetings, half-yearly meetings, first quarterly and third quarterly meetings.

All arrangements for regular meetings have been notified to all directors at least 14 days in advance and the Company has ensured that each director thoroughly understood the agenda of the meeting and fully expressed his/her opinions, while all Independent Non-executive Directors expressed their independent directors' opinions. Minutes have been taken for all the meetings and filed at the Office of the Board of Directors of the Company.

Moreover, the Independent Directors of the Company have submitted their annual confirmation letters in relation to their independence according to the requirements of the Listing Rules.

The Board of the Company has made the following important decisions in relation to the Company's operational management during this year:

1. Issuance of RMB15 billion asset-backed debt financing products; issuance of RMB5 billion short-term debenture;

2. Signing of a 3-year Framework Agreement with China Huaneng Finance Corporation Limited in relation to the resolutions for connected transactions; election of the senior management such as Vice Chairman, President Executive Officer, Chief Accountant, securities representative and change of Company Secretary.

3. 2005 profits distribution plan; appointment of auditors for 2006; 2006 aggregate wages together with an integrated plan; proposal for change of shareholding (part of the shareholdings of 7 shareholders be transferred to Huaneng Group); modification of internal management structure;

4. Amendment to the Company's Articles of Association and its appendices - rules governing shareholders' meetings, directors' meetings and the supervisory board; amendments to the detailed rules on the work of the audit committee.

5. Approvals and confirmations of the proposals in relation to the following: 312,375,000 shares in the Company held by Jiangsu Investment Company be transferred to Jiangsu International Trust Investment Company, 33,582,710 shares in the Company held by Liaoning Guoneng Group (Holding) Company Limited be transferred to Liaoning Energy Investment (Group) Corporation Limited, the change of name from Nantong City Investment and Management Centre to Nantong Investment and Management Limited Company, all of the Company's shares held by Jiangsu International Trust Investment Company be transferred to Jiangsu Investment and Management Corporation Limited; approvals of the resolutions in relation to transfer of 5% equity interest in Qinbei Power Plant from Huaneng Group, capital increase in Sichuan Hydropower by

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way of capital injection, full listing of Shenzhen Energy Group and subscription of the shares of Shenzhen Energy at its new issue.

Please refer to the relevant announcements of the Company for details.

Apart from regular and ad hoc meetings, the Board obtained information through the Chairman Office in a timely manner in order to monitor the objectives and strategies of the management, the Company's financial position and operating results and clauses of material agreements. The Chairman Office discharged the duties on behalf of the Board when the Board was not in session.

The Chairman Office held meetings irregularly which were attended by the Chairman, Vice Chairmen, Secretary to the Board, President, relevant senior management and personnel of relevant departments, and they heard reports on the operating conditions of the Company and made decisions. The content of the meetings covered: (1) examined and approved the establishment or cancellation of proposals to develop construction projects; (2) examined and approved proposals of the President in relation to the appointment, removal and transfer of managers of various departments of the Company and managers external branches; (3) examined and approved plans on the use of significant funds; (4) examined and approved proposals on the establishment or cancellation of branch companies or branch organs; (5) studied issues regarding the power market reforms and power sales and marketing; (6) examined and approved other major issues.

The management of the Company shall be in charge of the production and operational management of the Company according to the Articles of Association. It shall implement annual operation plans and investment proposals and formulate the Company's management system.

The Chairman of the Company shall sign the management authorization letter to the President of the Company on behalf of the Board, and confirm the respective authorities and duties of the Board and senior management. The Company's senior management reports on the actual implementation of various authorizations each year.

(D) CHAIRMAN AND PRESIDENT

The Board of the Company shall have a Chairman and a President who shall perform their duties respectively according to the Articles of Association. During the reporting period, Mr. Li Xiaopeng acts as Chairman of the Board and Mr. Na Xizhi acts as President of the Company.

The division of duties of the Board and the senior management is as follows:

The Board shall be accountable to the shareholders at the general meeting and shall exercise the following authorities:

(1) to be responsible for the convening of the shareholders' general meeting and to report its work to the shareholders at the general meetings;

(2) to implement the resolutions passed by the shareholders at the general meetings;

(3) to determine the Company's business plans and investment organs;

(4) to formulate the Company's annual financial budgets and final accounts;

(5) to formulate the Company's profit distribution proposal and loss recovery proposal;

(6) to formulate the proposals for the increase or reduction of the Company's registered capital and for the issue of the Company's debentures;

(7) to draw up plans for the merger, division or dissolution of the Company;

(8) to decide on the establishment of the Company's internal management organs;

(9) to appoint or remove the Company's President and to appoint or remove the Vice President and Chief Accountant of the Company according to the recommendations of the President and to decide on their remuneration;

(10) to formulate the Company's basic management system;

(11) to formulate proposals for any amendment to the Company's Articles of Association;

(12) to formulate proposals on amendments to the Rules of Procedures of the Shareholders' Meetings;

(13) to decide on the external guarantee matters of the Company within the authorization scope of the applicable laws and the Articles of Association;

(14) to exercise any other authorities conferred by the provisions of the Articles of Association and the shareholders at the general meetings.

The President of the Company shall be accountable to the Board of Directors and shall exercise the following authorities:

(1) to be in charge of the Company's production and operation management and to co-ordinate the implementation of the resolutions of the Board;

(2) to organize the implementation of various departments of the Company's annual business plans and investment;

(3) to draft plans for the establishment of the Company's internal management organs;

(4) to propose the Company's basic management system;

(5) to formulate basic rules and regulations for the Company;

(6) to propose the appointment or dismissal of the Company's Vice President and Chief Accountant;

(7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

(8) to sign loan agreements and other relevant documents on behalf of the Company;

(9) other powers conferred by the Articles of Association and the Board.

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(E) NON-EXECUTIVE DIRECTORS

According to the provisions of the Articles of Association, the term of office of members of the Board of the Company shall not exceed three years (including three years) and the members may be eligible for re-election. However, the term of office of Independent Non-executive Directors shall not exceed six years (including six years) according to the relevant provisions of the China Securities Regulatory Commission.

The respective terms of office of the Non-executive Directors and Independent Non-executive Directors are as follows:

Name of Directors	Term of office
Huang Yongda	2005.5.11-2008.5
Huang Long	2005.5.11-2008.5
Wu Dawei	2005.5.11-2008.5
Shan Qunying	2005.5.11-2008.5
Ding Shida	2005.11.17-2008.5
Xu Zujian	2005.5.11-2008.5
Liu Shuyuan	2005.5.11-2008.5
Qian Zhongwei	2005.5.11-2008.5
Xia Donglin	2005.5.11-2008.5
Liu Jipeng	2005.5.11-2008.5
Wu Yusheng	2005.5.11-2008.5
Yu Ning	2005.5.11-2008.5

(F) DIRECTORS' REMUNERATION

According to the provisions of the relevant laws of the State and the Articles of Association, the Board of the Company has established the Remuneration and Appraisal Committee mainly responsible for studying the appraisal standards of the directors and senior management personnel of the Company, conducting appraisals and making proposals; responsible for studying and examining the remuneration policies and proposals of the directors and senior management personnel of the Company and to be accountable to the Board.

Members of the Remuneration and Appraisal Committee of the Fifth Session of the Board of Directors comprised seven directors. Members of the Remuneration and Appraisal Committee were Mr. Liu Jipeng, Mr. Na Xizhi, Mr. Xu Zujian, Mr. Qian Zhongwei, Mr. Xia Donglin, Mr. Wu Yusheng and Mr. Liu Shuyuan; of whom Mr. Liu Jipeng, Mr. Qian Zhongwei, Mr. Xia Donglin and Mr. Wu Yusheng were Independent Non-executive Directors; Mr. Liu Jipeng acted as Chief Member of the Remuneration and Appraisal Committee.

The Company has formulated the Detailed Rules on the Work of the Remuneration and Appraisal Committee which have been approved by the Board for implementation. The Remuneration and Appraisal Committee held a meeting during this year and discussed the aggregate wages for 2006. In the new financial year, the Remuneration and Appraisal Committee will commence work in a timely manner pursuant to the above detailed rules on work according to the actual situation.

During this financial year, the attendance of meetings of the Remuneration and Appraisal Committee of the Company's Board was as follows:

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Fifth Session of the Remuneration and Appraisal Committee in 2006	2006-3-27	Mr. Liu Jipeng, Mr. Na Xizhi, Mr. Xu Zujian, Mr. Qian Zhongwei, Mr. Xia Donglin, Mr. Liu Shuyuan	Mr. Wu Yusheng

(G) NOMINATION OF DIRECTORS

According to the provisions of the relevant laws of the State and the Articles of Association, the Board of the Company has established the Nomination Committee. The Committee is mainly responsible for studying the selection standards and procedures for candidates for directors and senior management personnel of the Company according to the directors' qualifications and the needs of the operational management of the Company, and making proposals thereon to the Board; searching for qualified candidates for directors and suitable persons for senior management personnel on a wide basis; and examining the candidates for directors and suitable persons for senior management personnel and making proposals thereon.

Members of the Nomination Committee of the Fifth Session of the Board are Mr. Huang Long, Mr. Shan Qunying, Mr. Ding Shida, Mr. Qian Zhongwei, Mr. Xia Donglin, Mr. Liu Jipeng and Mr. Yu Ning; of whom Mr. Qian Zhongwei, Mr. Xia Donglin, Mr. Liu Jipeng and Mr. Yu Ning are Independent Non-executive Directors; Mr. Qian Zhongwei acted as the Chief Member of the Nomination Committee.

Currently the Company has formulated the Detailed Rules on the Work of the Nomination Committee which has been approved by the Board for implementation. The Nomination Committee held one meeting during this year. On 7th March 2006, Mr. Qu Xiaojun, Mr. Huang Jian, Ms. Lu Dan, Mr. Fan Xiaxia were nominated as Vice Presidents of the Company. Ms. Zhou Hui was nominated as Chief Accountant of the Company. In the new financial year, the Nomination Committee will commence work in a timely manner pursuant to the above detailed rules on work according to the actual situation.

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During the year, the attendance of meetings of the Nomination Committee of the Company's Board of Directors was as follows:

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Nomination Committee of the Fifth Session of the Board of Directors in 2006	2006-3-7	Mr. Huang Long, Mr. Shan Qunying, Mr. Ding Shida, Mr. Qian Zhong wei, Mr. Xia Donglin, Mr. Liu Jipeng, Mr. Yu Ning	Nil

(H) REMUNERATION OF AUDITORS

The 2005 Annual General Meeting approved the re-appointment of PricewaterhouseCoopers Limited as the Company's domestic auditors and the re-appointment of PricewaterhouseCoopers as the Company's international auditors. The annual remuneration is approximately RMB42.40 million.

(I) AUDIT COMMITTEE

According to the requirements of the regulatory authorities of the jurisdictions where the Company is listed and the relevant provisions of the Articles of Association, the Board of Directors of the Company has established the Audit Committee mainly responsible for:-

- (1) proposing to appoint or change external auditing organizations;
- (2) examining and supervising the Company's internal audit system and its implementation;
- (3) communication between internal auditing and external auditing;

(4) auditing the Company's financial information and its disclosure;

(5) any other matters required by the Company's Board.

Members of the Audit Committee of the Fifth Session of the Board of Directors comprised five directors, namely, Mr. Xia Donglin, Mr. Qian Zhongwei, Mr. Liu Jipeng, Mr. Wu Yusheng and Mr. Yu Ning; all the above members are Independent Non-executive Directors; Mr. Xia Donglin acted as Chief Member of the Audit Committee.

The Company's Audit Committee held six meetings during the year and discussed the 2005 annual final financial statements, the 2005 profit distribution proposal, the 2005 quarterly financial reports, the 2006 budget reports, the appointment of auditors and the report on management measures relating to the internal control system, respectively, and submitted examination reports to the Company's Board of Directors.

During this financial year, the attendance of meetings of members of the Audit Committee was as follows:-

Name of meeting	Date of meeting	Members who attended the meeting in person	Members who attended the meeting by proxy
First meeting of the Audit Committee of the Fifth Session of the Board in 2006	2006-3-27	Mr. Xia Donglin, Mr. Qian Zhongwei, Mr. Liu Jipeng, Mr. Yu Ning,	Mr. Wu Yusheng
Second meeting of the Audit Committee of the Fifth Session of the Board in 2006	2006-4-24	Mr. Xia Donglin, Mr. Qian Zhongwei Mr. Liu Jipeng, Mr. Wu Yusheng, Mr. Yu Ning	Nil
Correspondence meeting of the Audit Committee of the Fifth Session of the Board in 2006	2006-8-1	Mr. Qian Zhongwei, Mr. Yu Ning	Nil
Third meeting of the Audit Committee of the Fifth Session of the Board in 2006	2006-8-14	Mr. Qian Zhongwei, Mr. Yu Ning	Mr. Xia Donglin, Mr. Liu Jipeng Mr. Wu Yusheng
Correspondence meeting of the Audit Committee of the Fifth Session of the Board in 2006	2006-9-25	Mr. Xia Donglin, Mr. Qian Zhongwei, Mr. Liu Jipeng, Mr. Wu Yusheng, Mr. Yu Ning	Nil
Fourth meeting of the Audit Committee of the Fifth Session of the Board in 2006	2006-10-23	Mr. Xia Donglin, Mr. Liu Jipeng, Mr. Yu Ning	Mr. Qian Zhongwei Mr. Wu Yusheng

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Currently, the Company has formulated the Detailed Rules on the Work of the Audit Committee which have been approved by the Board for implementation. As the Company is currently recruiting relevant specialists in formulating and improving the Company's internal control mechanism, the Detailed Rules on the Work of the Audit Committee will be amended accordingly. In 2006, the Audit Committee was very concerned with the progress of the Company's internal control work. It continuously acquired an understanding of the progress of the internal control work, listened to the working progress report of external auditors and examined the relevant internal control system. During the new financial year, apart from commencing work according to the detailed work rules, the Audit Committee will further strengthen its supervision on and guidance to internal control work.

(J) LIABILITY ASSUMED BY THE DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Directors confirm that they shall assume the relevant liability in relation to the preparation of the financial statements of the Company and ensure that the preparation of the financial statements of the Company complies with the relevant laws and regulations and applicable accounting standards. The Directors also warrant that the financial statements of the Company will be published in a timely manner.

The reporting liability statements made by the auditors of the Company in relation to the financial statements of the Company are set out on page 84 to page 85 and page 172 to page 173 of this annual report.

(K) SENIOR MANAGEMENT'S INTEREST IN THE COMPANY'S SECURITIES

As at 31st December 2006, save and except that Mr. Na Xizhi (Director and President of the Company) beneficially held 7,240 circulating A shares of the Company, none of the senior management of the Company holds any shares of the Company.

(L) STRATEGY COMMITTEE

According to the requirements of regulatory authorities where the Company is listed and the requirements of the Company's Articles of Association, the Board of Directors of the Company set up the Strategy Committee. The main responsibilities of the Strategy Committee are:

1. to study and make suggestions on the Company's long-term development strategies and plans;
2. to study and make suggestions on material financing proposals which require the approval of the Board of Directors;
3. to study and make suggestions on material production and operational projects which require the approval of the Board of Directors;
4. to study and make suggestions on other material matters affecting the Company's development;
5. to monitor the implementation of the above matters;
6. any matters required by the Board of Directors.

Members of the Fifth Session of the Strategy Committee comprised six directors, namely, Mr. Li Xiaopeng, Mr. Huang Yongda, Mr. Huang Long, Mr. Na Xizhi, Mr. Wu Dawei, Mr. Wu Yusheng, Mr. Wang Xiaosong (who resigned as director on 7th March 2006). Mr. Li Xiaopeng acted as Chief Member of the Strategy Committee.

On 27th March 2006, the Strategy Committee approved the Risk Management Method for Huaneng Power International, Inc. and implemented the same in the Company. Each of

the administration department, business department, their associates and management unit had submitted risk analysis reports in accordance with the regulations of the Management Method. At a meeting of the Strategy Committee on 14th December 2006, the report on different grading of risk and risk prevention and control measures was approved. At present, the Company is effectively implementing its internal control and risk management mechanism, and is continuously strengthening and improving the same.