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 acquisitions of:

(i) 70% equity interest in Huaneng Shanghai Shidongkou I Power Plant ("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") from Huaneng Group in July 2002;

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

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

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

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 accounted for as goodwill. Prior to 2005, goodwill arising from the acquisitions in (i) and (ii) above was, in accordance with IAS 22, amortized on a systematic basis to the income statement over its economic useful life, being the remaining weighted average useful life of the acquired depreciable or amortizable assets. With the effective implementation of IFRS 3 (a replacement of IAS 22), goodwill arising from acquisition for which the agreement date is on or after 31st March 2004 is tested annually for impairment and is not to be amortized. Such goodwill is carried at cost less accumulated impairment losses. Goodwill arising from acquisitions in (i) and (ii) above ceased to be amortized from 1st January 2005 onwards and are carried at cost less accumulated impairment losses and tested for impairment annually.

(Amounts expressed in thousands of RMB unless otherwise stated)

(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 Company 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 reporting 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 and 5% additional equity interest in Taicang Power Company, 40% equity interest in Hanfeng Power Company and 20% equity interest in Huaneng Finance

The Company acquired from Huaneng Group:

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

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

(iii) 40% equity interest in Hanfeng Power Company in July, 2004; and

(iv) 20% equity interest in Huaneng Finance in January 2006.

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 accounted for as goodwill. Prior to 2005, goodwill arising from the acquisitions in (i) and (ii) above was, in accordance with IAS 22, amortized on a systematic basis to the income statement over its economic useful life, being the remaining weighted average useful life of the acquired depreciable or amortizable assets. With the effective implementation of IFRS 3, goodwill arising from acquisition for which the agreement date is on or after 31st March 2004 is tested annually for impairment and is not to be amortized. Such goodwill is carried at cost less accumulated impairment losses. Any excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost were written off against income statement. Goodwill arising from acquisitions in (i) and (ii) above ceased to be amortized from 1st January 2005 onwards and are carried at cost less accumulated impairment losses and tested for impairment annually.

(Amounts expressed in thousands of RMB unless otherwise stated)

(b) Effect of acquisitions of 44.16% equity interest in Huaiyin Power Company, 30% additional equity interest in Shidongkou I Power Plant and 5% additional equity interest in Taicang Power Company, 40% equity interest in Hanfeng Power Company and 20% equity interest in Huaneng Finance *(Cont'd)*

Under US GAAP, upon completion of the above acquisitions, Huaneng Group's proportionate shares in the net assets of Huaiyin Power Company, Shidongkou I Power Plant, Taicang Power Company, Hanfeng Power Company and Huaneng Finance being sold to the Company were recorded at the historical carrying value. Differences between the total costs of acquisitions and the net assets acquired were regarded as equity transactions with Huaneng Group. Accordingly, the resulting impact of depreciation and amortization expenses on income is also different.

(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 provided to the employees. 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 operating expenses of the Company on a straight-line basis over the estimated remaining average service life of the employees. The corresponding amount is recorded as additional capital contribution from HIPDC.

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

Huaneng Group was 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. On 1st January 2005, the ending balance of negative goodwill brought forward from 2004 is offset against opening retained earnings in accordance with 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 of the respective power plants.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

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 described above and that the negative goodwill under IFRS is offset against opening retained earnings in 2005 whereas, for US GAAP purposes, it was a reduction to the value of the property, plant and equipment described above, are depreciated over the respective assets' useful life, the net profit under IFRS and US GAAP is different.

(e) Capitalization of borrowing costs

In accordance with IAS 23, the Company and its subsidiaries 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 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 income statement 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 ("SFAS") 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 from 1st January, 2005 onwards.

(g) Deferred income tax impact

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

(Amounts expressed in thousands of RMB unless otherwise stated)

(h) US regulatory accounting

Under US GAAP, SFAS 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 income statement 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.

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.

For the year ended 31st December, 2006, the Company and its subsidiaries believe that 9 of their power plants (2005 and 2004: 10 and 12 power plants) 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 SFAS 101 "Regulated Enterprises – Accounting for the Discontinuation of Application of FASB Statement No. 71". 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.

(Amounts expressed in thousands of RMB unless otherwise stated)

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

In January 2006, management decided to close down an oil-fired power plant in Guangdong Province for efficiency reason. The Company discontinued the application of SFAS 71 for this power plant and applied SFAS 101 as a result. 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 also performed an impairment review on the property, plant and equipment of this power plant and have provided an impairment loss of RMB42 million based on the bidding price and the valuation performed by an independent valuer.

With respect to the remaining power plants of the Company and its subsidiaries, which were acquired from 2002 to 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.

(i) Impairment of long-lived assets

Impairment of long-lived assets (excluding goodwill)

The carrying amount of long-lived asset (excluding 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 income statement 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 and fair value less cost to sell.

(Amounts expressed in thousands of RMB unless otherwise stated)

(i) Impairment of long-lived assets *(Cont'd)*

Goodwill

Goodwill is reviewed for impairment, at the CGU/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 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, 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.

As at 31st December 2005, the Company recognized impairment loss on certain property, plant and equipment under IFRS while such an amount was reversed under US GAAP as a result of the above GAAP difference.

As at 31st December, 2006, the Company reversed this prior year impairment as a result of changes in local power market regulations under IFRS. This contributed to a reversal of such income effect under US GAAP due to the above GAAP difference as at the same date.

(Amounts expressed in thousands of RMB unless otherwise stated)

Changes of Principal Accounting Policy

In the current year, the Company and its subsidiaries have changed their accounting policy following their adoption of the new SFAS below, which is relevant to their operations.

- SFAS 154 Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3

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, non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. Management considered there was no material impact to the accounting policies for the current year.

(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:

		Net Assets	
		As at 31st December,	
	Note	2006	2005
Net assets under IFRS		**50,608,692**	46,144,187
Minority interests	i	**(7,151,183)**	(6,106,713)
Impact of US GAAP adjustments			
Effect of acquisitions of Sichuan Hydropower and Pingliang Power Company	(a)	**(969,244)**	(1,014,585)
Effect of acquisitions of Luohuang Power Company, Yueyang Power Company, Jinggangshan Power Plant and Yingkou Power Plant	(a)	**(1,679,633)**	(1,837,845)
Effect of acquisitions of Qinbei Power Company, Yushe Power Company and Xindian Power Plant	(a)	**(314,817)**	(342,555)
Effect of acquisitions of Shidongkou I Power Plant, Taicang Power Company and Changxing Power Plant	(a)	**(388,418)**	(472,473)
Effect of acquisitions of 20% equity interest in Huaneng Finance, 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)	**(237,197)**	(251,615)
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)	**(1,510,062)**	(1,671,048)
Difference in capitalization of borrowing costs	(e)	**(100,453)**	(109,227)
Reversal of goodwill amortization			
– Investment in SEG	(f)	**136,599**	136,599
– 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)	**957,725**	1,054,142
Net assets under US GAAP		**40,249,671**	36,456,609

(Amounts expressed in thousands of RMB unless otherwise stated)

	Note	Net profit For the year ended 31st December, 2006	2005	2004
Profit under IFRS		**6,889,074**	5,547,911	5,580,929
Profit attributable to minority interests	*i*	**(817,920)**	(676,117)	(257,053)
Impact of US GAAP adjustments				
Effect of acquisitions of Sichuan Hydropower and Pingliang Power Company	(a)	**45,341**	30,823	341,914
Effect of acquisitions of Luohuang Power Company, Yueyang Power Company, Jinggangshan Power Plant, and Yingkou Power Plant	(a)	**158,212**	169,538	278,027
Effect of acquisitions of Qinbei Power Company, Yushe Power Company and Xindian Power Plant	(a)	**27,738**	26,697	48,116
Effect of acquisitions of Shidongkou I Power Plant, Taicang Power Company and Changxing Power Plant	(a)	**84,055**	303,119	110,524
Effect of acquisitions of 20% equity interest in Huaneng Finance, 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)	**(8,925)**	19,552	25,550
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**	160,986	(87,091)
Difference in capitalization of borrowing costs	(e)	**8,774**	(21,803)	6,466
Reversal of goodwill amortization				
– Investment in SEG	(f)	**—**	—	81,960
– Investment in Huaiyin Power Company	(f)	**—**	—	17,370
Reversal of impairment loss on property, plant and equipment	(i)	**(30,080)**	30,080	—
Applicable deferred income tax impact on the GAAP differences	(g)	**(96,417)**	(134,709)	(89,783)
Others		**—**	—	8,652
Net profit under US GAAP		**6,394,686**	5,429,925	6,039,429

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

(Amounts expressed in thousands of RMB unless otherwise stated)

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, 2005 and 2006, and the related condensed combined statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended 31st December, 2006, restated to reflect the impact of the acquisitions 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,	
	2006	2005
ASSETS		
Non-current assets		
Property, plant and equipment, net	**86,571,060**	74,554,743
Investments in associates	**5,149,354**	4,314,634
Available-for-sale investment	**1,458,759**	1,033,225
Land use rights	**1,495,206**	1,150,420
Deferred income tax assets	**209,883**	200,076
Goodwill	**136,053**	136,053
Other non-current assets	**269,404**	336,379
Total non-current assets	**95,289,719**	81,725,530
Current assets		
Inventories, net	**2,121,489**	2,311,357
Other receivables and assets, net	**615,488**	855,952
Accounts receivable, net	**6,977,493**	6,022,426
Trading securities	**100,180**	—
Due from HIPDC	**—**	21,847
Due from other related parties	**621**	—
Current portion of deferred income tax assets	**107,492**	87,049
Restricted cash	**203,863**	201,276
Temporary cash investment	**—**	2,652
Cash and cash equivalents	**3,207,192**	2,647,665
Total current assets	**13,333,818**	12,150,224
Total assets	**108,623,537**	93,875,754

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined balance sheets *(Cont'd)*

	As at 31st December,	
	2006	2005
EQUITY AND LIABILITIES		
Share capital	**12,055,383**	12,055,383
Other equities	**28,194,288**	24,401,226
Shareholders' equity	**40,249,671**	36,456,609
Minority interests	**6,118,089**	4,954,726
Non-current liabilities		
Long-term loans from Huaneng Group	**2,800,000**	2,800,000
Long-term bank loans	**32,065,840**	25,711,255
Other long-term loans	**232,779**	351,009
Deferred income tax liabilities	**320,342**	319,324
Other non-current liabilities	**309,930**	168,328
Total non-current liabilities	**35,728,891**	29,349,916
Current liabilities		
Accounts payable and other liabilities	**8,375,705**	6,905,240
Taxes payable	**1,180,318**	1,131,284
Due to Huaneng Group	**44,592**	50,720
Due to HIPDC	**79,730**	53,230
Due to associates	**83,512**	—
Due to other related parties	**65,795**	29,620
Salary and welfare payables	**441,590**	251,949
Short-term bonds	**5,077,577**	4,938,250
Short-term loans	**7,823,720**	6,580,870
Current portion of long-term bank loans	**3,140,393**	2,653,339
Current portion of other long-term loans	**191,562**	512,640
Current portion of deferred income tax liabilities	**22,392**	7,361
Total current liabilities	**26,526,886**	23,114,503
Total equity and liabilities	**108,623,537**	93,875,754

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined statements of income

	Note	For the year ended 31st December, 2006	2005	2004
Operating revenue		**44,301,403**	40,190,004	35,181,649
Sales tax		**(148,057)**	(113,475)	(72,933)
Operating expenses				
Fuel		**(22,608,151)**	(21,202,952)	(16,556,803)
Maintenance		**(1,306,888)**	(1,165,374)	(1,035,045)
Depreciation		**(6,265,198)**	(5,696,142)	(5,413,807)
Labor		**(2,912,919)**	(2,513,457)	(2,178,940)
Service fees to HIPDC		**(140,771)**	(141,102)	(133,609)
Income tax expense		**(1,226,729)**	(1,179,007)	(1,264,640)
Others		**(1,692,423)**	(1,438,635)	(946,782)
Total operating expenses		**(36,153,079)**	(33,336,669)	(27,529,626)
Income before financial expenses		**8,000,267**	6,739,860	7,579,090
Interest income		**51,910**	53,685	58,986
Interest expense		**(1,591,033)**	(1,457,490)	(1,235,426)
Bank charges and exchange gain/(losses), net		**67,819**	241,691	(107,492)
Total financial expenses, net		**(1,471,304)**	(1,162,114)	(1,283,932)
Share of profits of associates		**802,535**	652,691	465,440
Minority interests		**(936,812)**	(800,512)	(721,169)
Net profit for the year		**6,394,686**	5,429,925	6,039,429
Basic earnings per ordinary share under US GAAP (RMB)	i	**0.53**	0.45	0.50
Basic earnings per American Depository Shares ("ADS") under US GAAP (RMB)	i	**21.22**	18.02	20.04
Diluted earnings per ordinary share under US GAAP (RMB)	i	**0.53**	0.45	0.50
Diluted earnings per ADS under US GAAP (RMB)	i	**21.22**	18.02	20.02

(Note i) Earning per ordinary share and per equivalent ADS were calculated by dividing the net profit for the 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 year and the weighted average number of ordinary shares and ADS outstanding for the year were adjusted on the assumption that the convertible notes had been fully converted at the beginning of 2004. There was no dilution effect on earnings per ordinary share and per equivalent ADS since the Company had no dilution potential ordinary shares for the years ended 31st December 2005 and 2006.

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined statements of changes in equity

Balance as at 1st January, 2004	**35,814,891**
Dividends relating to 2003	(3,013,836)
Net profit 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 acquisitions 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 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**
Dividends relating to 2005	(3,013,846)
Net profit for the year ended 31st December, 2006	6,394,686
Contribution from Huaneng Group	23,343
Capital contribution from HIPDC arising from housing benefits provided by HIPDC	26,152
Dividends waived by a shareholder of a subsidiary	866
Fair value gains from an available-for-sale investment, net of tax	361,861
Balance as at 31st December, 2006	**40,249,671**

(Amounts expressed in thousands of RMB unless otherwise stated)

Condensed combined statements of cash flows

	For the year ended 31st December,		
	2006	2005	2004
Net cash provided by operating activities	**12,386,361**	9,313,657	11,028,971
Net cash used in investing activities	**(16,807,190)**	(14,587,880)	(13,067,191)
Net cash provided by financing activities	**4,980,356**	5,059,653	226,001
Net increase/(decrease) in cash and cash equivalents	**559,527**	(214,570)	(1,812,219)
Cash and cash equivalents, beginning of the year	**2,647,665**	2,862,235	4,674,454
Cash and cash equivalents, end of the year	**3,207,192**	2,647,665	2,862,235

New accounting pronouncements

The Financial Accounting Standard Board ("FASB") issued certain SFAS, FASB Interpretation ("FIN"), minutes of Emerging Issue Task Force ("EITF") and FASB Staff Position ("FSP") that are mandatory for the accounting periods of the Company and its subsidiaries beginning on or after 1st January 2007 or later periods, but which the Company and its subsidiaries have not early adopted. These are summarized as follows:

- SFAS 157 Fair Value Measurements

This SFAS formalizes definition and disclosure requirements of fair value. It clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, i.e. the principal or most advantageous market for the asset or liability (an exit price). Therefore, this SFAS does not permit fair value be measured at price that would be paid to acquire the asset or received to assume the liability (an entry price).

Such an SFAS will be effective for fiscal years beginning after 15th November 2007. Management is currently assessing the impact of this SFAS on the accounting policies of the Company and its subsidiaries.

(Amounts expressed in thousands of RMB unless otherwise stated)

New accounting pronouncements *(Cont'd)*

- SFAS 159 — The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115

This SFAS permits entities to choose to measure many financial instruments and certain other items at fair value that are currently required to be measured at fair value at specified election date. It also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities.

Such an SFAS will be effective for the fiscal year that begins after 15th November 2007. Management is currently assessing the impact of this SFAS on the accounting policies of the Company and its subsidiaries.

- FIN 48 — Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109

FIN 48 prescribes the recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

Such an interpretation will be effective for fiscal years beginning after 15th December 2006. Management is currently assessing the impact of this interpretation on the accounting policies of the Company and its subsidiaries.

- EITF 06-2 — Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43

This EITF requires an entity accruing compensation cost associated with a sabbatical or other similar benefit arrangement over the requisite service period should all of the other conditions of paragraph 6 of SFAS 43 are met.

Such an EITF will be effective for fiscal years beginning after 15th December 2006. Management is currently assessing the impact of this EITF on the accounting policies of the Company and its subsidiaries.

- FSP FIN46(R)-6 — Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)

This FSP addresses how a reporting enterprise should determine the variability to be considered in applying FIN 46(R) by using a two-step approach. It requires an analysis of the design of the entity through (a) analyzing the nature of the risks in the entity; and (b) determining the purposes for which the entity was created and determining the variability (created by the risks identified in (a)) the entity is designed to create and pass along to its interest holders.

Such a FSP will be effective for reporting period beginning after 15th June 2006. Management is currently assessing the impact of this FSP on the accounting policies of the Company and its subsidiaries.