HUANENG POWER INTERNATIONAL INC
Form 20-F
June 26, 2006

[LOGO GRAPHIC OMITTED]

HUANENG POWER INTERNATIONAL, INC.

[LOGO GRAPHIC OMITTED]

Annual Report On Form 20-F
2005

As filed with the Securities and Exchange Commission on June 26, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO

OR

[ ] SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report .....

For the transaction period form _____ to _____

Commission file number: 1-13314

[GRAPHIC OMITTED]
HUANENG POWER INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

PEOPLE'S REPUBLIC OF CHINA
(Jurisdiction of incorporation or organization)

WEST WING, BUILDING C, TIANYIN MANSION,
2C, FUXINGMENNAN STREET, BEIJING, PEOPLE'S REPUBLIC OF CHINA
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

| Title of Each Class | Name of each exchange on which registered |
|---|---|
| Ordinary American Depositary Shares..... | New York Stock Exchange |
| Overseas Listed Foreign Shares of RMB 1.00 each..... | New York Stock Exchange* |

Securities registered or to be registered pursuant to Section 12(g) of the Act.
NONE
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
NONE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [X] No [ ]

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

| | |
|---|---|
| Domestic Shares of RMB 1.00 each..... | 9,000,000,000 |
| Overseas Listed Foreign Shares of RMB 1.00 each..... | 3,055,383,440 |

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes [X] No [ ]

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [X] Item 18 [ ]

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

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* Not for trading, but only in connection with the registration of American Depositary Shares.

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INTRODUCTION

We maintain our accounts in Renminbi yuan ("Renminbi" or "RMB"), the lawful currency of the People's Republic of China (the "PRC" or "China"). References herein to "US$" or "US Dollars" are to United States Dollars, and references to "HK$" are to Hong Kong Dollars. References to ADRs and ADSs are to American Depositary Receipts and American Depositary Shares, respectively. Translations of amounts from Renminbi to US Dollars are solely for the convenience of the reader. Unless otherwise indicated, any translations from Renminbi to US Dollars or from US Dollars to Renminbi were translated at the average rate announced by the People's Bank of China (the "PBOC Rate") on December 31, 2005 of US$1.00 to RMB 8.0702. No representation is made that the Renminbi or US Dollar amounts referred to herein could have been or could be converted into US Dollars or Renminbi, as the case may be, at the PBOC Rate or at all.

References to "A Shares" are to common shares issued to domestic shareholders.

References to the "Company" include, unless the context requires otherwise, Huaneng Power International, Inc. and the operations of our power plants and our proposed projects.

References to "HIPDC" are to Huaneng International Power Development Corporation and, unless the context requires otherwise, include the operations of the Company prior to the formation of the Company on June 30, 1994.

References to the "central government" refer to the national government of the PRC and its various ministries, agencies and commissions.

References to "Huaneng Group" are to China Huaneng Group.

References to the "key contracts" refer to coal purchase contracts entered into between the Company and coal suppliers at the annual national coal purchase conferences attended by, among others, representatives of power companies, coal suppliers and railway authorities. These conferences were coordinated and sponsored by National Development and Reform Commission (`NDRC'). The Company enjoys priority railway transportation services with respect to coal purchased under such contracts.

References to "local governments" in the PRC are to governments at all administrative levels below the central government, including provincial governments, governments of municipalities directly under the central government, municipal and city governments, county governments and township governments.

References to "power plants" or "our power plants" are to the power plants that are wholly-owned by the Company or to the power plants in which the Company owns majority equity interests.

References to the "PRC Government" include the central government and local governments.

References to "provinces" include provinces, autonomous regions and municipalities directly under the central government.

References to the "State Plan" refer to the plans devised and implemented by the PRC Government in relation to the economic and social development of the PRC.

References to "tons" are to metric tons.

Previously, the Overseas Listed Foreign Shares were also referred to as the "Class N Ordinary Shares" or "N Shares". Since January 21, 1998, the date on which the Overseas Listed Foreign Shares were listed on The Stock Exchange of Hong Kong Limited by way of introduction, the Overseas Listed Foreign Shares have been also referred to as "H Shares".



## GLOSSARY

| | |
|---|---|
| actual generation | The total amount of electricity generated by a power plant over a given period of time. |
| auxiliary power | Electricity consumed by a power plant in the course of generation. |
| availability factor | For any period, the ratio (expressed as a percentage) of a power plant's available hours to the total number of hours in such period. |
| available hours | For a power plant for any period, the total number of hours in such period less the total number of hours attributable to scheduled maintenance and planned overhauls as well as to forced outages, adjusted for partial capacity outage hours. |
| capacity factor | The ratio (expressed as a percentage) of the gross amount of electricity generated by a power plant in a given period to the product of (i) the number of hours in the given period multiplied by (ii) the power plant's installed capacity. |
| demand | For an integrated power system, the amount of power demanded by consumers of energy at any point in time. |
| dispatch | The schedule of production for all the generating units on a power system, generally varying from moment to moment to match production with power requirements. As a verb, to dispatch a plant means to direct the plant to operate. |
| excess output | The amount by which the total output of a power plant in a particular year exceeds its planned output for such year. |
| GW | Gigawatt. One million kilowatts. |
| GWh | Gigawatt-hour. One million kilowatt-hours. |

| | |
|---|---|
| | GWh is typically used as a measure for the annual energy production of large power plants. |
| installed capacity | The manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW. |
| kV | Kilovolt. One thousand volts. |
| kW | Kilowatt. One thousand watts. |
| kWh | Kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour. |
| MVA | Million volt-amperes. A unit of measure used to express the capacity of electrical transmission equipment such as transformers. |
| MW | Megawatt. One million watts. The installed capacity of power plants is generally expressed in MW. |



| | |
|---|---|
| MWh | Megawatt-hour. One thousand kilowatt-hours. |
| Net Fixed Assets | The annual average of the book value of our fixed assets (less accumulated depreciation) and construction work in progress, each as determined in accordance with PRC statutory accounting principles. |
| peak load | The maximum demand on a power plant or power system during a specific period of time. |
| planned generation | An annually determined target gross generation level for each of our operating power plants used as the basis for determining planned output. |
| total output | The actual amount of electricity sold by a power plant in a particular year, which equals total generation less auxiliary power. |
| transmission losses | Electric energy that is lost in transmission lines and therefore is unavailable for use. |

PART I.

ITEM 1 Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2 Offer Statistics and Expected Timetable

Not applicable.

ITEM 3 Key Information

A. Selected Financial Data

Our consolidated balance sheet data as of December 31, 2005 and 2004 and the consolidated income statement and cash flow data for each of the years in the three-year period ended December 31, 2005 are derived from the historical financial statements included herein. Our consolidated balance sheet data as of December 31, 2003, 2002 and 2001 and income statement and cash flow data for each of the years in the two-year period ended December 31, 2002, are derived from the historical financial statements not included herein. The Selected Financial Data should be read in conjunction with the consolidated financial statements and "Item 5 - Operating and Financial Review and Prospects". The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which differ from the generally accepted accounting principles in the United States of America ("US GAAP").

In accordance with IFRS, we have adopted the acquisition method to account for our acquisitions of power plants in 2003, 2004 and 2005. Accordingly, the consolidated financial statements and, except as otherwise noted, all other IFRS financial information presented in this Annual Report, include the results of these power plants, only from the respective dates of acquisition. In contrast, under US GAAP, our acquisitions of those power plants stated in Note 41 to the Financial Statements, are considered as combination of entities under common control and the acquired assets and liabilities are accounted for at historical cost in a manner similar to pooling of interests method. Accordingly, the consolidated financial statements for all periods presented have been retroactively restated as if the current structure and operations had been in existence since inception. The differences between IFRS and US GAAP that would have significant impact on the net income for each of the years in the three-year period ended December 31, 2005 and the equity as of December 31, 2005 and 2004 are set forth in Note 41 to the Financial Statements. The Selected Financial Data may not be indicative of future earnings, cash flows or financial position.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| RMB and US Dollars in thousands except per share data | 2001(1) (RMB) | 2002(1) (RMB) | 2003(1) (RMB) | 2004(1) (RMB) | 20 (RM |
| | Restated | Restated | Restated | Restated | |
| Income Statement Data | | | | | |

IFRS

| | | | | | |
|---|---|---|---|---|---|
| Operating revenue..... | 15,816,656 | 18,512,585 | 23,433,572 | 30,150,602 | 40,19 |
| Sales tax..... | (25,294) | (38,116) | (45,335) | (32,324) | (11 |
| Operating expenses..... | (10,777,328) | (12,896,455) | (16,315,075) | (23,200,088) | (33,06 |
| Profit from operations..... | 5,014,034 | 5,578,014 | 7,073,162 | 6,918,190 | 7,00 |
| Total financial expenses, net.. | (796,215) | (510,265) | (544,285) | (739,784) | (1,12 |
| Investment income, net..... | 24,671 | 1,288 | 10,705 | 20,554 | 6 |
| Share of (loss) / profit of associates..... | (5,381) | (16,204) | 160,509 | 312,037 | 64 |
| Other income, net..... | -- | -- | 12,070 | 18,666 | |
| Profit before tax..... | 4,237,109 | 5,052,833 | 6,712,161 | 6,529,663 | 6,59 |
| Income tax expenses..... | (715,220) | (975,795) | (1,097,859) | (948,734) | (1,04 |
| Profit for the year..... | 3,521,889 | 4,077,038 | 5,614,302 | 5,580,929 | 5,54 |



| RMB and US Dollars in thousands except per share data | Year Ended December 31, 2001(1) (RMB) | 2002(1) (RMB) | 2003(1) (RMB) | 2004(1) (RMB) |
|---|---|---|---|---|
| | Restated | Restated | Restated | Restated |
| Income Statement Data (Cont'd) | | | | |
| IFRS | | | | |
| Attributable to: | | | | |
| Equity holders of the Company... | 3,450,658 | 3,921,004 | 5,430,408 | 5,323,876 |
| Minority interests..... | 71,231 | 156,034 | 183,894 | 257,053 |
| Net profit..... | 3,521,889 | 4,077,038 | 5,614,302 | 5,580,929 |
| Basic earnings per share..... | 0.31 | 0.33 | 0.45 | 0.44 |
| Fully diluted earnings per share | 0.30 | 0.33 | 0.45 | 0.44 |
| US GAAP(3) | | | | |
| Operating revenue..... | | | 30,494,213 | 35,181,649 |
| Net profit attributable to shareholders..... | | | 5,898,580 | 6,039,429 |
| Basic earnings per share..... | | | 0.49 | 0.50 |
| Fully diluted earnings per share | | | 0.49 | 0.50 |

As of December 31,

| RMB and US Dollars in thousands except per share data | 2001 (RMB) | 2002 (RMB) | 2003 (RMB) | 2004 (RMB) | |
|---|---|---|---|---|---|
| Balance Sheet Data | | | | | |
| IFRS | | | | | |
| Current assets | 10,763,919 | 7,685,441 | 8,303,195 | 9,653,653 | |
| Property, plant and equipment, net | 37,557,114 | 41,103,468 | 42,658,365 | 57,780,410 | |
| Available-for-sale investment | -- | 254,990 | 254,990 | 254,990 | |
| Investments in associates | 226,488 | 200,960 | 2,766,031 | 4,328,307 | |
| Land use rights and other non-current assets | 970,759 | 1,067,838 | 1,037,859 | 1,771,916 | |
| Deferred income tax assets | -- | -- | 21,311 | 97,539 | |
| Goodwill | -- | 126,560 | 298,876 | 376,726 | |
| Less: negative goodwill | (2,225,505) | (1,978,227) | (1,730,949) | (1,483,670) | |
| Total assets | 47,292,775 | 48,461,030 | 53,609,678 | 72,779,871 | |
| Current liabilities | (8,922,347) | (7,652,216) | (9,242,408) | (16,732,953) | ( |
| Non-current liabilities | (9,590,637) | (9,482,050) | (9,256,718) | (16,515,006) | ( |
| Total liabilities | (18,512,984) | (17,134,266) | (18,499,126) | (33,247,959) | ( |
| Net assets | 28,779,791 | 31,326,764 | 35,110,552 | 39,531,912 | |
| Total equity | 28,779,791 | 31,326,764 | 35,110,552 | 39,531,912 | |
| US GAAP (3) | | | | | |
| Total assets | | | | 81,641,120 | |
| Total liabilities | | | | (42,127,706) | ( |
| Minority interests | | | | (4,126,923) | |
| Net assets | | | | 35,386,491 | |
| Shareholders' equity | | | | 35,386,491 | |



| RMB and US Dollars in thousands except per share data | Year Ended December 31, 2001 (RMB) | 2002 (RMB) | 2003 (RMB) | 2004 (RMB) | 2005 (RMB) |
|---|---|---|---|---|---|
| Cash Flow Data | | | | | |
| IFRS | | | | | |
| Purchase of property, plant and equipment | (2,870,858) | (1,594,210) | (3,606,704) | (9,877,553) | (13,842,293 |
| Net cash provided by | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| operating activities. | 5,918,896 | 7,079,718 | 9,533,289 | 8,162,701 | 8,680,850 |
| Net cash (used in) / provided by investing activities. | (4,564,536) | 1,074,101 | (5,225,080) | (13,650,285) | (15,413,369 |
| Net cash (used in) / provided by financing activities. | (1,169,597) | (7,324,354) | (3,182,162) | 3,654,467 | 7,084,653 |
| US GAAP (3) | | | | | |
| Purchase of property, plant and equipment. | | | (6,799,560) | (11,876,838) | (14,491,798 |
| Net cash provided by operating activities. | | | 12,284,122 | 11,028,971 | 9,313,657 |
| Net cash used in investing activities | | | (7,708,774) | (13,067,191) | (14,587,880 |
| Net cash (used in) / provided by financing activities | | | (3,753,866) | 226,001 | 5,059,653 |
| Other Financial Data IFRS and US GAAP | | | | | |
| Dividend declared per share..... | 0.15 | 0.17 | 0.25 | 0.25 | 0.25 |
| Number of ordinary shares ('000)..... | 12,000,000 | 12,000,548 | 12,055,342 | 12,055,383 | 12,055,383 |

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(1) The Company adopted revised International Accounting Standard 1 "Presentation of Financial Statements", under which the consolidated operating results of prior years were restated for presentation purposes. There is no change in the net operating results of these periods.

(2) The US Dollar data has been translated from RMB solely for convenience at the PBOC Rate on December 31, 2005 of US$1.00 to RMB 8.0702. See "Item 10 Additional Information -- Exchange control for more information on exchange rates between RMB and US Dollars".

(3) The amounts as of December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005 are presented to reflect the acquisitions of the power plants in a manner similar to pooling of interests method as well as the effects of other differences between IFRS and US GAAP.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk factors

Risks relating to our business and the PRC's power industry

Government regulation of power rates and other aspects of the power industry

may adversely affect our business

Similar to electric power companies in other countries, we are subject to governmental and electric power grid regulations in virtually all aspects of our operations, including the amount and timing of electricity generation, power



rates setting, performance of scheduled maintenance and compliance with power grid control and dispatch directives. There can be no assurance that these regulations will not change in the future in a manner which could adversely affect our operations.

Since 1995, we have charged and collected power rates that were designed to enable us to recover all operating and debt service costs and to earn a fixed return on our Net Fixed Assets for certain of our power plants under the pricing policy applicable to us (the "Pricing Policy"). However, there can be no assurance that there will not be any change in the implementation of the power rate setting principles that could materially and adversely affect our operations. In addition, the PRC government started in 1999 to experiment with a program to effect power sales through a bidding process in some of the provinces where we operate our power plants. The power rates for power sold by this bidding process are generally lower than the approved power rates for planned output. Although the power sales through the bidding process in the last few years constituted only a small fraction of our total output, it is expected that the government will expand the program in the future. On July 3, 2003, the State Council approved an electricity pricing reform plan and made it clear that the long-term objective of electric power pricing reform is to establish a standardized and transparent power price setting mechanism. In 2005, NDRC issued several interim measures to carry out the pricing reform plan in the transition period. At present, detailed rules for implementation of these interim measures are still in the process of being formulated. There is no assurance that the power pricing reform will not adversely affect our power rates and results of operation. See "Item 4 Information of the Company - B Business Overview - Pricing Policy".

If our power plants receive less dispatching than Planned Generation, the power plants will sell less electricity than planned

Our profitability depends, in part, upon each of our power plants generating electricity at a level sufficient to meet or exceed the Planned Generation, which in turn will be subject to local demand for electric power and dispatching to the grids by the dispatch Centres of the local grid companies.

The dispatch of electric power generated by a power plant is controlled by the Dispatch Centre of the applicable grid companies pursuant to a dispatch agreement with us and to governmental dispatch regulations. In each of the markets we operate, we compete against other power plants for power sales. No assurance can be given that the Dispatch Centres will dispatch the full amount of the Planned Generation of our power plants. A reduction by the Dispatch Centre in the amount of electric power dispatched relative to a power plant's Planned Generation could have an adverse effect on the profitability of our operations. However, we have not encountered any such bias in the past.

The power industry reform may negatively affect our business

PRC government in 2002 announced and started to implement measures to further reform the power industry, with the ultimate goal to create a more open and fair power market. As part of the reform, five power generation companies, including Huaneng Group, were created or restructured to take over all the power generation assets originally belonging to the State Power Corporation of China.

In addition, two grid companies were created to take over the power transmission and distribution assets originally belonging to the State Power Corporation of China. An independent power supervisory commission, the State Electricity Regulatory Commission ("SERC"), was created to regulate the power industry. It is uncertain how these reform measures and any further reforms are going to be implemented and how they will impact our business. We may face enhanced competition as the reform is being carried out.

We are effectively controlled by Huaneng Group and HIPDC, whose interests may differ from those of our other shareholders

Huaneng Group and HIPDC currently hold 8.75% and 42.03% of our outstanding shares respectively. As Huaneng Group is HIPDC's parent company, they exert effective control on us in concert. Their interests may sometimes conflict with those of our other minority shareholders. There is no assurance that Huaneng Group and HIPDC will always vote their shares, or direct the directors nominated by them to act in a way that will benefit our other minority shareholders.

Disruption in fuel supply and its transportation as well as increase in fuel price may adversely affect the normal operation of our power plants

We have obtained our coal and oil supplies for our power plants through a combination of purchases pursuant to the key contracts and purchases on the open market. Although we have received sufficient and timely fuel supply and transportation services for our operations and have not experienced shutdowns or reduced electricity generation caused by inadequate fuel supply or transportation services, there can be no assurance that, in the event of national coal supply shortfalls, our operations will not be adversely affected.



In addition, our results of operation are sensitive to the fluctuation of fuel price. Since 2003, the continuous increase of coal price has increased our costs substantially and caused our profits to decline. Although the government has established an electricity and coal price linkage mechanism to allow power generation companies to increase their power rates to respond to the increase of coal price, the implementation of the mechanism is subject to significant conditions and uncertainty. There is no assurance that we will be able to adjust our power rates to pass on the increase of coal price to our customers. For a detailed discussion of the electricity and coal price linkage mechanism, see "Item 4 Information of the Company-B Business Overview - Pricing Policy".

Power plant development, acquisition and construction are a complex and time-consuming process, the delay of which may negatively affect the implementation of our growth strategy

We develop, construct, manage and operate large power plants; success depends upon our ability to secure all required PRC Government approvals, power sales and dispatch agreements, construction contracts, fuel supply and transportation and electricity transmission arrangements. Delay or failure to secure any of these could increase cost or delay or prevent commercial operation of the affected power plant. Although each of our power plants in operation and the power plants under construction received all required PRC Government approvals in a timely fashion, no assurances can be given that all the future projects will receive approvals in a timely fashion or at all.

We have generally acted as, and intend to continue to act as, the general contractor for the construction of our power plants. As with any major infrastructure construction effort, the construction of a power plant involves

many risks, including shortages of equipment, material and labor, labor disturbances, accidents, inclement weather, unforeseen engineering, environmental, geological, delays and other problems and unanticipated cost increases, any of which could give rise to delays or cost overruns. Construction delays may result in loss of revenues. Failure to complete construction according to specifications may result in liabilities, decrease power plant efficiency, increase operating costs and reduce earnings. Although the construction of each of our power plants was completed on or ahead of schedule and within its budget, no assurance can be given that construction of future projects will be completed on schedule or within budget.

In addition, from time to time, we may acquire existing power plants from HIPDC, Huaneng Group or other parties. The timing and the likelihood of the consummation of any such acquisition will depend, among other things, on our ability to obtain financing and relevant PRC Government approvals and to negotiate relevant agreements for terms acceptable to us.

Substantial capital is required for investing in or acquiring new power plants and failure to obtain capital on reasonable commercial terms will increase our financing cost and cause delay in our expansion plans

An important component of our growth strategy is to develop new power plants and acquire operating power plants and related development rights from HIPDC, Huaneng Group or other companies on commercially reasonable terms. Our ability to arrange financing and the cost of such financing depend on numerous factors, including general economic and capital market conditions, credit availability from banks or other lenders, investor confidence in us and the continued success of our power plants. Although we have historically been able to obtain financing on terms acceptable to us, there can be no assurance that financing for future power plant developments and acquisitions will be available on terms acceptable to us or, in the event of an equity offering, that such offering will not result in substantial dilution to existing shareholders.

Operation of power plants involves many risks and we may not have enough insurance to cover the economic losses if any of our power plants' ordinary operation is interrupted

The operation of power plants involves many risks and hazards, including breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, labor disturbances, natural disasters, environmental hazards and industrial accidents. The occurrence of material operational problems, including but not limited to the above events, may adversely affect the profitability of a power plant. We currently maintain property all risks insurance and machinery breakdown insurance for all of our power plants in the amounts that we believe to be adequate. Such insurance, however, may not provide adequate coverage in certain circumstances. In particular, in accordance with industry practice in the PRC, we currently maintain business interruption insurance only for one of our power plants, and except for third party liability insurance coverage for accidents during construction and equipment installation, do not carry any third party liability insurance to cover claims in respect of bodily injury or property or environmental damage arising from accidents on our property or relating to our operation or any other types of assets insurances. Although each of our power plants has a good record of safe operation, there is no assurance that the afore-mentioned accidents will not occur in the future.



If the PRC government adopts new and stricter environmental laws and additional capital expenditure is required for complying with such laws, the operation of our power plants may be adversely affected and we may be required to make more

investment in compliance with these environmental laws

Our power plants, like all coal- and oil-fired power plants, discharge pollutants into the environment. We are subject to central and local government environmental protection laws and regulations, which currently impose base-level discharge fees for various polluting substances and graduated schedules of fees for the discharge of waste substances. These laws and regulations impose fines for violations of laws, regulations or decrees and provide for the possible closure by the central government or local government of any power plant which fails to comply with orders requiring it to cease or cure certain activities causing environmental damage.

We attach great importance to the environmental related matters of our existing power plants and our power plants under construction. We have implemented a system that is designed to control pollution caused by our power plants, including the establishment of an environmental protection office at each power plant, adoption of relevant control and evaluation procedures and the installation of certain pollution control equipment. We believe our environmental protection systems and facilities for the power plants are adequate for us to comply with applicable central government and local government environmental protection laws and regulations. The PRC Government may impose new, stricter laws and regulations which would require additional expenditure on environmental protection.

The PRC is a party to the Framework Convention on Climate Change ("Climate Change Convention"), which is intended to limit or capture emissions of "greenhouse" gases, such as carbon dioxide. Ceilings on such emissions could limit the production of electricity from fossil fuels, particularly coal, or increase the costs of such production. At present, ceilings on the emissions of "greenhouse" gases have not been assigned to developing countries under the Climate Change Convention. Therefore, the Climate Change Convention would not have a major effect on the Company in the short-term because the PRC as a developing country is not obligated to reduce its emissions of "greenhouse" gases at present, and the PRC government has not adopted relevant control standards and policies. If the PRC were to agree to such ceilings, or otherwise reduce its reliance on coal-fired power plants, our business prospects could be adversely affected.

If there is a devaluation of Renminbi, our debt burden will increase and the dividend return to our overseas shareholders may decrease

As a power producer operating only in China, we collect our revenues in Renminbi and have to convert Renminbi into foreign currencies to (i) repay some of our borrowings which are denominated in foreign currencies, (ii) purchase foreign made equipment and parts for repair and maintenance, and (iii) pay out dividend to our overseas shareholders.

The value of the Renminbi against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including US dollars, has historically been set by the People's Bank of China. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate within a band against a basket of certain foreign currencies. This change in policy resulted initially in an approximately 2.0% appreciation in the value of the Renminbi against the US dollar. Since the adoption of this new policy, the value of Renminbi against the US dollar has fluctuated on a daily basis within narrow ranges, but overall has further strengthened against the US dollar. There remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in a further and more significant appreciation in the value of the Renminbi against the US dollar. However, there is no assurance that there will

not be a devaluation of Renminbi in the future. If there is such a devaluation, our debt servicing cost will increase and the return to our overseas investors may decrease.

We are in the process of improving our internal controls and management system to enable us to certify the effectiveness of our internal controls under the Sarbanes-Oxley Act of 2002. Our failure to timely and successfully improve these controls and systems could subject us to regulatory actions and harm the price of our stock

The United States Securities and Exchange Commission, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company in the United States to include a management report on such company's internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the



effectiveness of the Company's internal controls over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending December 31, 2006. During the course of our preparation for compliance with Section 404 of the Sarbanes-Oxley Act, we have identified certain deficiencies in our internal controls over financing reporting. Although we have already taken remedial measures to make necessary improvements, we cannot assure you that we will be able to effectively and completely remediate those identified deficiencies in time to comply with Section 404 of the Sarbanes-Oxley Act, nor can we assure you that our management and independent registered public accounting firm will conclude our internal controls over financial reporting is effective based on their evaluations. Our failure to satisfactorily comply with our obligations under Section 404 of the Sarbanes-Oxley Act of 2002 could subject us to regulatory scrutiny, and result in a loss of public confidence in our management, which could, among other things, adversely affect our stock price.

Forward-looking information may prove inaccurate

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "anticipate," "believe," "estimate," "expect," "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statement. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. We do not intend to update these forward-looking statements.

Risks relating to the PRC economic, political and social conditions as well as government policies could significantly affect our business

All of our business, assets and operations are located in China. The economy of China differs from the economies of most developed countries in many respects, including government involvement, level of development, economy growth rate, control of foreign exchange, and allocation of resources.

The economy of China has been transitioning from a planned economy to a

more market oriented economy. Although the majority of productive assets in China are still owned by the PRC government at various levels, in recent years the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the economy of China and a high level of management autonomy. Some of these measures will benefit the overall economy of China, but may have a negative effect on us. For example, our operating results and financial condition may be adversely affected by changes in taxation, changes in power rates for our power plants, changes in the usage and costs of state controlled transportation services, and changes in state policies affecting the power industry.

Interpretation of PRC laws and regulations involves significant uncertainties

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited value as precedents. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and judicial interpretation and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties. In addition, as the PRC legal system develops, we cannot assure that changes in such laws and regulations, and their interpretation or their enforcement will not have a material adverse effect on our business operations.

We are subject to certain PRC regulations governing PRC companies that are listed overseas. These regulations contain certain provisions that are required to be included in the articles of association of these PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and these regulations, in general, and the provisions for protection of shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the US, the UK and other developed countries or regions. Such limited investor protections are compensated for, to a certain extent, by the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas and certain additional requirements that are imposed by the Listing Rules of The Hong Kong Stock Exchange with a view to reduce the magnitude of differences between the Hong Kong Company Law and PRC Company Law. The articles of association of all PRC companies listed in Hong Kong must incorporate such Mandatory Provisions and these additional requirements. Although our Articles of



Association have incorporated such provisions and requirements, there can be no assurance that our shareholders will enjoy protections to which they may be entitled in other jurisdictions.

ITEM 4 Information on the Company

A. History and development of the Company

Our legal and commercial name is Huaneng Power International, Inc. Our head office is at West Wing, Building C, Tianyin Mansion, 2C, Fuxingmennan Street, Beijing, People's Republic of China and our telephone number is (8610)66491999. We were established in June 1994 as a company limited by shares organized under the laws of the People's Republic of China.

In January, 2005, we acquired 60% equity interest of Huaneng Sichuan

Hydropower Co., Ltd. ("Sichuan Hydropower") and 65% equity interest of Gansu Huaneng Pingliang Power Generation Limited Liability Company ("Pingliang Power Plant") from the Huaneng Group. These acquisitions increased our attributable generation capacity by 1,146 MW and attributable capacity under construction by 389 MW. The total consideration for these acquisitions was RMB 2.025 billion.

In June 30, 2005, we acquired 26.36% additional equity interest in Jiangsu Huaneng Huaiyin Power Limited Company ("Huaiyin Power Company") from Jiangsu Yueda Investment Co., Ltd. ("Jiangsu Yueda"). The acquisition increased our attributable generation capacity by 116 MW, and the consideration for the acquisition was RMB 200.60 million.

At the end of 2005, we paid the consideration of RMB 126 million to Huaneng Group and advanced a payment (which will represent an injection of capital) of RMB 162 million to China Huaneng Finance Corporation Ltd. ("Huaneng Finance") in order to acquire 20% equity interest in Huaneng Finance. The acquisition became effective subsequent to the year end.

On April 19, 2006, we completed our shareholding reform process, in which Huaneng Group and HIPDC offered three shares to each holder of A shares for every ten shares held by such holder. The total number of shares offered by Huaneng Group and HIPDC in connection with this reform was 15,000,000 shares. As a result of the shareholding reform process, all the previously non-circulated domestic shares were allowed to be circulated subject to certain lock-up arrangements made by the holders of those shares. Huaneng Group and HIPDC committed not to sell their shares within sixty months after April 19, 2006, while the other previously non-circulated domestic shareholders committed not to sell within one year since then. The shareholding reform process will not affect the shareholding of overseas listed foreign shares.

See "Item 5 Operating and Financial Review and Prospects -- Liquidity and Cash Resources" for a description of our principal capital expenditures since the beginning of its last three financial years.

B. Business overview

We are one of China's largest independent power producers based on the total attributable generation capacity of 23,549 MW as of March 31, 2006. We wholly own 16 operating power plants and have controlling interests in 12 operating power companies and minority interests in 4 operating power companies. Our power plants are in 13 of China's provinces: Liaoning, Hebei, Shanxi, Shandong, Henan, Fujian, Jiangsu, Zhejiang, Guangdong, Jiangxi, Gansu, Hunan, Sichuan, and in Shanghai and Chongqing Municipalities. In 2005, our power plants had an average availability factor of 92.93% and an average capacity factor of 70.68%. We also have 7,040 MW total generation capacity under construction in the same areas. We believe that these areas where our power plants are located present greater potential for increasing demand for electricity and enjoy the most favorable conditions for running power plants. To maintain our leadership position among independent power producers and to enhance shareholders' value, we will focus on more efficient operation of our current power plants and aggressively pursue our development strategy. Our development strategy is to place equal emphasis on acquisition and development, on greenfield and expansion plants, on coal-fuel and other feasible fuel sources, and on domestic and foreign resources.

We will also continue to leverage our relationship with HIPDC, our controlling shareholder, as well as with Huaneng Group, the controlling shareholder of HIPDC, in respect of acquisition and development of power projects. We have a preferential right to purchase interest in existing power plants owned by Huaneng Group and HIPDC and the preferential right on all of their respective future power development projects that we may realistically develop. In 2002, the restructured Huaneng Group reiterated its support policy

to us. Furthermore, we entered into an Entrusted Management Agreement with Huaneng Group and HIPDC in relation to the management of their respective coal-fired power plants. By entering into the Entrusted Management



Agreement, we will further accumulate management experience as a result of the expansion of our operation scale and set a precedent for large-scale and multi-entities entrusted management in the PRC. Some of these coal-fired power plants could be our potential acquisition targets. In addition, we may also entrust to Huaneng Group the management of our power plants under certain circumstances. Please see "Item 7 -- Major Shareholders and Related Party Transactions" for a detailed description of the Entrusted Management Agreement.

We believe our significant capability in the development and construction of power projects, as exemplified in the completion of our projects under construction ahead of schedule, and our experience gained in the successful acquisitions of power assets in recent years will enable us to take full advantage of the opportunities presented in China's power market and made available to us through our relationship with HIPDC and Huaneng Group.

With respect to the acquisition or development of any project, we will consider, among other factors, changes in power market conditions, and adhere to prudent commercial principles in the evaluation of the feasibility of the project. In addition to business development strategies, we will continue to work on our profit enhancement through relentlessly strengthening cost control, especially in respect of fuel costs and construction costs, so as to hedge against fluctuations in fuel price and increase competitiveness in the power market.

In 2005, our business operations were adversely affected by the rising price and poor quality of coal supplies caused by coal shortages on a nationwide basis. Although we took various cost-control measures, we were not able to fully offset the adverse effect that the rising coal prices had on the cost of our operations.

Development of power plants

The process of identifying potential sites for power plants, obtaining government approvals, completing construction and commencing commercial operations is usually lengthy. However, because of our significant experience in developing and constructing power plants, we have been able to identify promising power plant projects and to obtain all required PRC Government approvals in a timely manner.

Opportunity identification and feasibility study

We initially identify an area in which additional electric power is needed by determining its existing installed capacity and projected demand for electric power. The initial assessment of a proposed power plant involves a preliminary feasibility study. The feasibility study examines the proposed power plant's land use requirements, access to a power grid, fuel supply arrangements, availability of water, local requirements for permits and licenses and the ability of potential customers to afford the proposed power rates. To determine projected demand, factors such as economic growth, population growth and industrial expansion are used. To gauge the expected supply of electricity, the capacities of existing plants and plants under construction or development are studied.

Approval process

In 2003, NDRC was created to replace the former State Development Planning Commission. Prior to July, 2004, any project proposal and supporting documents for new power plants must first be submitted to the NDRC for approval and then be submitted to the State Council. In July, 2004, the State Council of the PRC reformed the fixed asset investment regulatory system in China. Under the new system, new projects in the electric power industry that do not use government funds will no longer be subject to the examination and approval procedure. Instead, they will only be subject to a confirmation and registration process. Coal-fired projects will be confirmed by and registered with the relevant department of the central government while non-coal fired power plants will be subject to confirmation and registration by the relevant local government departments. Under a circular issued by NDRC in September 2004, coal-fired power plants with installed capacity of 1,200 MW or more will be subject to confirmation by the NDRC and the State Council.

Joint venture power projects are subject to additional governmental approvals. Approval by Ministry of Commerce (the former Ministry of Foreign Trade and Economic Cooperation) is also required when foreign investment is involved.

Permits and contracts

In developing a new power plant, we and third parties are required to obtain permits before commencement of the project. Such permits include operating licenses and similar approvals related to plant site, land use, construction, and the environment. To encourage the cooperation and support of



the local governments of the localities of the power plants, it has been and will be our policy to seek investment in such power plants by the relevant local governments.

Power plant construction

We have generally acted as the general contractor for the construction of our power plants. Equipment procurement and installation, site preparation and civil works are subcontracted to domestic and foreign subcontractors through a competitive bidding process. All of our power plants were completed on or ahead of schedule, enabling certain units to enter service and begin generating income earlier than the estimated in-service date.

Import duties

China's general import-tariff level has been declining annually since China acceded to the WTO in November, 2001. China's average import-tariff rate for 2003 is 11.3%, which was reduced to 10.4% in 2004. Starting from January 1, 2005, the average import-tariff rate has been further reduced to 9.9%. In general, China's entry to WTO will bring its import-tariff to a level consistent with the average level of all other WTO members.

On April 1, 1996, the central government reduced the "general level" of China's import duties to 23%. Along with the change in import duties, preferential import duty treatment, including exemptions and reductions, for equipment and raw materials imported by foreign-invested enterprises ("FIEs") were eliminated. As a FIE, we had enjoyed duty-free treatment of equipment imported for the power plants wholly owned by us. Under the new regulations implemented after 1996, equipment and raw materials imported by FIEs may continue to enjoy duty-free treatment if the relevant project was approved before April 1, 1996. In October, 1997 the central government further lowered

the general level of China's import duties to 17%. Any import duties will be reflected in adjustments to our power rates under the Pricing Policy and the Electric Power Law. In addition, the central government in 1998 reinstated the import-duty exemption policy for equipment imported by FIEs that invested in projects encouraged by the central government under the Catalogue for the Guidance of Foreign Investment Industries that is amended by the PRC government from time to time ("the Catalogue"). Pursuant to the current Catalogue effective on January 1, 2005, construction and operation of coal-fired power plants with 300 MW or larger generating units or of power plants with clean-burning coal technologies belong to the category of encouraged projects. Under the relevant Chinese laws, FIEs will continue to be entitled to import duty exemption with respect to imported equipment and raw materials for investment projects that fall into the encouraged category under the current Catalogue. As a FIE, we are eligible for import-duty exemption for imported generating units, as all of our planned power plants or power plants under construction meet the conditions for encouraged projects under the current Catalogue.

In 2005, we started going through the procedures for import-duty exemption for imported generating equipments in the amount of RMB 100 million for the Yuhuan project.

Plant start-up and operation

We have historically operated and intended to continue to operate our power plants. Our power plants have established management structures based on modern management techniques. We select the superintendent for a new power plant from the senior management of our operating plants early in the construction phase of the new plant, invest in the training of operational personnel, adopt various rational management techniques and structure its plant bonus program to reward efficient and cost-effective operation of the plant in order to ensure the safety, stability and high level of availability of each power plant. Our senior management meets several times a year with the superintendents of the power plants as a group, fostering a team approach to operations, and conducts annual plant performance reviews with the appropriate superintendent, during which opportunities to enhance the power plant's performance and profitability are evaluated.

After a generating unit is constructed, the contractor tests its installation and systems. Following such tests, the contractor puts the unit through a continuous 168-hour trial run at full load. After successfully passing the continuous 168-hour test, the unit may enter into commercial operation.

Pricing policy

Because we were established to develop power plants using advanced equipment and technology financed with foreign and domestic loans, our power rates, under the authority of State Council Document 72, were initially designed to ensure recovery of all production and financing costs and yield a profit of RMB 40 to RMB 50 per MWh during the period when such loans were outstanding.



On June 6, 1994, the former Ministry of Electric Power ("MEP") announced the Pricing Policy applicable to us, specifying that our power rates should be determined with reference to international principles and methods for setting power rates based upon the return on Net Fixed Assets methodology to which international investors are accustomed.

We have been able to recover costs, and generate a profitable return under the Pricing Policy. However, there is no assurance that the government agencies will approve our proposed power rates in accordance with the Pricing

Policy. Our power rates approved by the government authorities in the last several years represented a rate of return on Net Fixed Assets below the permitted 15%.

The PRC government has moved toward reforming the existing power pricing mechanism. The Electric Power Law, which came into effect in 1996, has provided for the general principles for determining power rates in the future. The power rate granted to a power producer shall be formulated to provide reasonable compensation for costs as well as a reasonable return, to share expenses fairly and to promote the construction of power projects.

On July 3, 2003, the State Council approved a power pricing reform plan and made it clear that the long-term objective of power pricing reform is to establish a standardized and transparent power price setting mechanism.

In 2003, coal prices increased and certain parts of China experienced severe power shortage due to increased demand for power caused by various factors including the rapid expansion of the Chinese economy. To adjust the demand and supply for electric power and also to address the adverse effect that the increase of coal prices had on the power industry, NDRC issued several circulars to permit power generation companies to adjust their power rates.

In December, 2004, to more effectively address the problem of rising coal prices, NDRC proposed and the State Council approved a pricing mechanism that would establish a link between power and coal prices, allowing power generation companies to increase their rates to account for coal price increases. In May 2005, NDRC issued a circular to increase on-grid rates and retail rates in the Northern region, Central region, Eastern region, Northwest region and Southern region pursuant to the power and coal price linkage mechanism. We accordingly increased on-grid rates of our power plants in the Northern region, Central region, Eastern region and Southern region on May 1, 2005, and on-grid rates of our power plants in the Northwest region on July 15, 2005.

In 2005, NDRC issued several interim measures to implement the power pricing reform plan in the transition period. At present, detailed rules for implementation of the interim measures are still in the process of being formulated.

See "Item 5 Operating and Financial Review and Prospects -- Trend Information" for a detailed discussion of this new pricing mechanism.

Power sales

Each of our power plants has entered into a written agreement with the local grid companies for the sales of its power output. Generally, the agreement has a fixed term of one year and provides that the annual utilization hours of the power plant will be determined with reference to the average annual utilization hours of the similar generating units connected to the same grid.

In 2003, SERC and the State Administration of Commerce and Industry jointly promulgated a model contract form (the "Model Contract Form") for use by power grid companies and power generation companies in connection with electricity sale and purchase transactions. The Model Contract Form contains provisions on the parties' rights and obligations, amount of electricity subject to purchase, payment method and liabilities for breach of contract, etc. We believe that the publication of the Model Contract Form has facilitated the negotiation and execution of electricity purchase contracts between power grid companies and power generation companies in a fair, transparent and efficient manner, thereby reducing transaction costs and improving performance rate of both power grid companies and power generation companies. In 2005, most of the agreements entered into between our power plants and the local grid companies

were based on the Model Contract Form.



Power market in the Northeast region

The power market in the Northeast region commenced simulated operation on January 15, 2004 by adopting a "two-tier pricing with full output bidding" mode, under which on-grid rates are comprised of capacity rates and output rates. While capacity rates are formulated by the government, output rates are determined through a bidding process held on monthly and annual basis. The power market in the Northeast region started settlement at actual bidding price since May 2005, and carried out 2006 annual price bidding in early 2006. After then, the market operation was suspended. The power regulatory authorities are currently in the process of accumulating the relevant experience, researching the further plan, and preparing for resuming trial operation when the timing is appropriate.

We have three power plants in the Northeast region, namely Dalian Power Plant, Dandong Power Plant and Yingkou Power Plant with a total of eight generating units and an aggregate generation capacity of 2,740 MW. All of these power plants consist of generating units with large-capacity and the management has put in place a strong management team to manage these plants.

To ensure a fair market environment for the three power plants in Liaoning, we will keep ourselves updated on the changes of the relevant rules and will actively support and participate in the establishment of the power market of the Northeast region. We believe that we can optimize our competitive strengths under a fair, reasonable and open market environment.

Power market in the Eastern region

The power market in the Eastern region commenced simulated operation of monthly price bidding and daily price bidding respectively on May 18 and October 28, 2005. Unlike the operating mode of the power market in the Northeast region, there is a "one-tier pricing with partial output bidding" mode applicable here. Only 10% of the planned output was sold through the price bidding process; and 90% was still subject to the price approved by the government. The power market in the Eastern region commenced trial operation in early April 2006, and completed the first two phases of trial operation at the end of April. The SERC is expected to launch the third phase of trial operation when the timing is appropriate.

Currently, we have 8 power plants consisting of 26 power generating units with an aggregate generation capacity of 9,024 MW, representing 14.09% of the aggregate capacity of all bidding units in the Eastern region. Most of our power plants are located in regional loading centres of Jiangsu, Shanghai and Fujian, and consist of individual units with large-capacity and high-performance, together with small number of employees and a strong management team. Under our centralized management, these power plants will remain highly competitive in their markets.

Power market in the other regions

The power market in the Southern region commenced simulated operation of annul price bidding in November 2005 and is expected to enter into trial operation at the end of 2006.

The power market in the Central region is expected to commence simulated operation at the end of 2006.

Establishing regional power markets and increasing the use of the bidding method are the general trend in China's power market reform, which is conducive to creating a competition environment that is fair, transparent and equitable. We believe that this reform will benefit us in the long-term. We will adopt different bidding strategies and fully take advantage of the large scales of our power plants in accordance with the specific circumstances of different power grids and different power plants, thereby maximizing our profits in the power bidding process. We also believe that our large and highly efficient generating units are competitive in a more open, orderly and fair market.

The following table sets forth the average power rates (RMB/MWh) of electric power sold by our power plants, for each of the five years ended December 31, 2005 and the approved power rates for 2005 and 2006.



| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | -- |
| | Average Rate(1) | Average Rate(1) | Average Rate(1) | Average Rate(1) | Average Rate(1) | -- |
| Dalian Power Plant..... | 291.38 | 280.53 | 272.69 | 283.62 | 317.58 | |
| Dandong Power Plant..... | 298.93 | 273.70 | 276.95 | 289.05 | 301.67 | |
| Yingkou Power Plant..... | -- | -- | -- | 315.48 | 360.09 | |
| Fuzhou Power Plant..... | -- | 327.80 | 331.82 | 365.00 | 367.06 | |
| Phase I..... | 357.50 | -- | -- | -- | -- | |
| Phase II..... | 349.18 | -- | -- | -- | -- | |
| Shangan Power Plant..... | -- | 315.65 | 307.94 | 303.25 | 319.91 | |
| Phase I..... | 292.71 | -- | -- | -- | -- | |
| Phase II..... | 371.73 | -- | -- | -- | -- | |
| Nantong Power Plant..... | 318.38 | 309.54 | 312.52 | 325.18 | 343.00 | |
| Nanjing Power Plant..... | 318.60 | 304.07 | 307.31 | 321.67 | 340.65 | |
| Taicang | | | | | | |
| Phase I..... | -- | 317.52 | 321.80 | 341.10 | 360.00 | |
| Phase II..... | -- | -- | -- | -- | -- | |
| Huaiyin Power Plant | | | | | | |
| Phase I..... | -- | 314.79 | 317.21 | 330.88 | 346.43 | |
| Phase II..... | -- | -- | -- | -- | 373.77 | |
| Shidongkou I..... | -- | 252.97 | 256.64 | 285.43 | 320.30 | |
| Shidongkou II..... | 356.76 | 345.90 | 332.85 | 342.56 | 357.60 | |
| Shantou Oil-Fired Plant..... | 618.24 | 621.02 | 672.41 | 604.08 | 610.73 | |
| Shantou Power Plant | | | | | | |
| Phase I..... | 473.85 | 455.95 | 435.17 | 446.86 | 462.83 | |
| Phase II..... | -- | -- | -- | -- | -- | |
| Dezhou Power Plant (Phases I, II & III).... | 340.33 | 339.64 | 333.34 | 332.58 | 349.56 | |
| Jining Power Plant | | | | | | |
| Phases I, II..... | 267.31 | 275.15 | 274.66 | 299.89 | 323.41 | |
| Phase III..... | -- | -- | -- | 299.89 | 323.41 | |
| Weihai Power Plant..... | 390.72 | 393.74 | 386.50 | 394.06 | 398.93 | |
| Xindian..... | -- | -- | 342.41 | 320.83 | 337.25 | |
| Changxing..... | -- | 362.70 | 320.57 | 351.94 | 392.83 | |
| Yushe Power Plant | | | | | | |
| Phase I..... | -- | -- | 200.63 | 282.10 | 319.37 | |

| | | | | | |
|---|---|---|---|---|---|
| Phase II..... | -- | -- | -- | 282.10 | 256.00 |
| Qinbei..... | -- | -- | -- | -- | 299.77 |
| Jinggangshan Power Plant.... | -- | -- | -- | -- | 353.90 |
| Yueyang Power Plant..... | | | | | |
| Phase I..... | -- | -- | -- | 316.52 | 341.34 |
| Luohuang Power Plant..... | -- | -- | -- | 286.74 | 300.90 |
| Pingliang Power Plant..... | -- | -- | -- | -- | 211.43 |
| Sichuan Hydropower..... | -- | -- | -- | -- | 262.52 |

Notes: (1) Includes value-added tax.

Fuel supply arrangements

In 2005, all of our power plants were fueled by coal except Shantou Oil-Fired Plant and Sichuan Hydropower.



Coal

Most of the coal supply for our coal-fired power plants is obtained from numerous coal producers in Shanxi Province.

In recent years, as part of its efforts to make a transition from a comprehensive planned economy to a "socialist market economy", the PRC has experimented with a variety of methods of setting coal prices. In 1996, the government allowed coal prices to fluctuate within a range around a reference price for coal allocated under the State Plan to be used in electricity generation, and set maximum allowable prices in various coal-producing areas for coal used in electricity generation.

From 2002 to 2003, there was no longer official State Plan for coal supplies, but the government continues to coordinate the coal prices at the annual national coal purchase conferences attended by, among others, representatives of each of power companies, coal suppliers, and the railway authorities and sponsored and coordinated by NDRC. Starting from 2004, although such annual coal purchase conferences continue to be held, only key contracts are negotiated and executed at such conferences.

In 2005, coal price increased by a substantial volume compared to the same period in 2004. We consumed a total of 68.08 million tons of coal, 54.5% of which was purchased under the key contracts and medium and long-term agreement, and the remainder was purchased on the open market. Coal purchase price for our company, including transportation costs and miscellaneous expenses, averaged approximately RMB 338.03 per ton. We strive to reduce the fuel costs in a number of ways, including seeking to purchase high quality coal at competitive prices directly from coal mines or coal shipment terminals, improving coal storage management and inspection and demanding compensation from suppliers for failure to deliver coal of the specified quantity and quality in accordance with the relevant purchase arrangements. We have also started to experiment in some of our power plants with the method of mixing different types of coal as a measure of cost reduction. Although we took various cost-control measures, we were not able to fully offset the adverse effect that the rising coal prices had on the cost of our operations in 2005.

In order to address the shortage of coal supplies, we have entered into eight medium and long-term agreements with major coal suppliers to secure stable prices for our coal supplies from 2005 to 2009. At the same time, we also signed

coal supply contracts with coal suppliers at the annual national coal purchase conference for 2006. Through these measures, we seek to further strengthen the stable coal supplies for our power plants.

We have entered into purchase agreements with coal suppliers to purchase 50.94 million tons of coal for 2006 as of April 20, 2006, which is about 77% of the coal required for our total planned generation. This amount includes both the amount covered by the medium and long term coal supply agreements we have entered into with coal suppliers and the amount settled at annual coal purchase conferences sponsored and coordinated by NDRC.

Oil

The crude oil of Shantou Oil-Fired Plant is transported by pipeline to Huangdao in Eastern Shandong Province, loaded onto ships, shipped along the coast to the Zhanjiang port in Western Guangdong, trans-shipped to the Shantou port, unloaded into storage tanks in Shantou and finally transported to the Shantou Oil-Fired Power Plant by pipeline.

In 2005, Shantou Oil-Fired Plant generated only a small amount of output. Instead of purchase from external sources, it used crude oil on its storage. There is no power generation plan for Shantou Oil-Fired Plant in 2006.

Repair and maintenance

Each of our power plants has a timetable for routine maintenance, regular inspections and repairs. Such timetables and the procedures for the repair and maintenance of generating units comply with the relevant regulations promulgated by the former MEP.

Pursuant to our procedures, coal-fired generating units are currently operating on a cycle of four to six years. At the end of each operating cycle, an overhaul is carried out. In each cycle, there are four different levels of maintenance:



(i) regular checks and routine maintenance are carried out throughout the period during which a generating unit is in operation;

(ii) a small-scale servicing is performed every year, which takes approximately 20 days;

(iii) a medium-scale check-up is carried out between the two overhauls, the length of which depends on the actual condition of the generating unit at the time of the check-up; and

(iv) a full-scale overhaul is conducted at the end of each operating cycle, which takes approximately 60 days.

C. Organizational Structure

We are 42.03% owned by HIPDC, which in turn is a subsidiary of Huaneng Group. Huaneng Group was established in 1988 with the approval of the State Council. In 2002, Huaneng Group was restructured as one of the five independent power generation group companies to take over the power generation assets originally belonging to the State Power Corporation of China. Huaneng Group has a registered capital of RMB 20 billion and is controlled and managed by the central government. Huaneng Group is principally engaged in the development, investment, construction, management and operation of energy related projects as

well as the production and sale of electricity. In addition to this core business, Huaneng Group also engages in the development, investment, construction, production and sale of projects and products in the information, transportation, new energy source and environmental industries.

HIPDC was established in 1985 as a joint venture with 51.98% of its equity interests currently owned by Huaneng Group. HIPDC is engaged in developing power plants using domestic and foreign capital. Some of the power plants currently owned and operated by us were originally built and later transferred to us by HIPDC. Both Huaneng Group and HIPDC have agreed to give us preferential rights in the power development business and power assets transfers.

On April 19, 2006, we completed our shareholding reform process, in which Huaneng Group and HIPDC offered three shares to each holder of A Shares for every ten shares held by such holder. The total number of shares offered by Huaneng Group and HIPDC in connection with this reform was 15,000,000 shares. As a result of the shareholding reform process, all the previously non-circulated domestic shares were allowed to be circulated subject to certain lock-up arrangements made by the holders of such shares. Huaneng Group and HIPDC committed not to sell their shares within sixty months after April 19, 2006, while the other previously non-circulated share holders committed not to sell within one year since then. The shareholding reform process will not affect the shareholding of overseas listed foreign shares.

The following organizational chart sets forth the organizational structure of HIPDC and us after the shareholding reform process:



[GRAPHIC OMITTED]



D. Property, plants and equipment

The following table presents certain summary information on our power plants and projects under construction as of June 15, 2006.

| Plant or Expansion | | Province/ Municipality | Actual/Estimated In-service Date(1) | Current Installed Capacity | Ownership | Attrib Capac |
|---|---|---|---|---|---|---|
| (Names as defined below) | | | | (MW) | % | MW |
| Power Plants | | | | | | |
| Dalian | Phase I | Liaoning | Unit I: Sep. 1988<br>Unit II: Dec. 1988 | 2 x 350 | 100% | 70 |
| | Phase II | | Unit III: Jan. 1999<br>Unit IV: Jan. | 2 x 350 | 100% | 70 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | 1999 | | | |
| Dandong | | Liaoning | Unit I: Jan. 1999<br>Unit II: Jan. 1999 | 2 x 350 | 100% | 70 |
| Yingkou | | Liaoning | Unit I: Jan. 1996<br>Unit II: Dec. 1996 | 2 x 320 | 100% | 64 |
| Fuzhou | Phase I | Fujian | Unit I: Sep. 1988<br>Unit II: Dec. 1988 | 2 x 350 | 100% | 70 |
| | Phase II | | Unit III: Oct. 1999<br>Unit IV: Oct. 1999 | 2 x 350 | 100% | 70 |
| Shangan | Phase I | Hebei | Unit I: Aug. 1990<br>Unit II: Dec. 1990 | 2 x 350 | 100% | 70 |
| | Phase II | | Unit III: Oct. 1997<br>Unit IV: Oct. 1997 | 2 x 300 | 100% | 60 |
| Nantong | Phase I | Jiangsu | Unit I: Sep. 1989<br>Unit II: March 1990 | 2 x 352 | 100% | 70 |
| | Phase II | | Unit III: Jul. 1999<br>Unit IV: Oct. 1999 | 2 x 350 | 100% | 70 |
| Nanjing | | Jiangsu | Unit I: March 1994<br>Unit II: Oct. 1994 | 2 x 320 | 100% | 64 |
| Taicang | Phase I | Jiangsu | Unit I: Dec. 1999<br>Unit II: April 2000 | 2 x 300 | 75% | 45 |
| | Phase II(2) | Jiangsu | Unit III: Jan. 2006 Unit IV: Feb. 2006 | 2 x 600 | 75% | 90 |
| Huaiyin | Phase I | Jiangsu | Unit I: Nov. 1993<br>Unit II: Aug. 1994 | 2 x 220(3) | 90% | 39 |
| | Phase II | Jiangsu | Unit III: Jan. 2005<br>Unit IV: Mar. 2005 | 2 x 330 | 63.64% | 42 |
| Shidongkou I | | Shanghai | Unit I: Feb. 1988<br>Unit II: Dec. 1988<br>Unit III: Sep. 1989<br>Unit IV: May 1990 | 3 x 300<br>1 x 320(4) | 100% | 1,2 |
| Shidongkou II | | Shanghai | Unit I: Jun. 1992<br>Unit II: Dec. 1992 | 2 x 600 | 100% | 1,2 |
| Shanghai Combined Cycle(5) | | Shanghai | Unit I: May 2006<br>Unit II: June 2006 | 2 x 390 | 70% | 54 |
| Shantou Oil-Fired | | Guangdong | Units I & II: Jan. 1987<br>Unit III: April 1988 | 2 x 34.1<br>1 x 34.95 | 100% | 10 |
| Shantou | Phase I | Guangdong | Unit I: Jan. 1997 | 2 x 300 | 100% | 60 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | Unit II: Jan. 1997 | | | |
| | Phase II(6) | Guangdong | Unit III: Oct. 2005 | 1 x 600 | 100% | 60 |
| Dezhou | | Shandong | Units I & II: 1992 | 1 x 300 + 1 x 330(7) | 100% | 63 |
| | | | Units III & IV: Jun. 1994, May 1995 | 2 x 300 | 100% | 60 |
| | | | Units V & VI: Jun. 2002; Oct. 2002 | 2 x 700(7) | 100% | 1,40 |



| Plant or Expansion | | Province/ Municipality | Actual/Estimated In-service Date(1) | Current Installed Capacity | Ownership | Attrib Capac |
|---|---|---|---|---|---|---|
| (Names as defined below) | | | | (MW) | % | MW |
| Power Plants | | | | | | |
| Jining (8) | | Shandong | Units I & II: 1973 | 1 x 50 | 100% | 50 |
| | | | Units III & IV: 1976 & 1978 | 1 x 115<br>1 x 110 | 100% | 22 |
| | | | Unit V & Unit VI: July 2003 & August 2003 | 2 x 135 | 100% | 27 |
| Weihai | | Shandong | Units I & II: May 1994, Jan. 1995 | 2 x 125 | 60% | 15 |
| | | | Units III & IV: Mar. Nov. 1998 | 2 x 300 | 60% | 36 |
| Xindian | | Shandong | Unit III: Jan 2002<br>Unit IV: Dec 2001 | 2 x 225 | 100% | 45 |
| Changxing | | Zhejiang | Unit I: Jan. 1992 | 1 x 125 | 100% | 26 |
| | | | Unit II: Aug. 1992 | 1 x 135(9) | | |
| Yushe | Phase I | Shanxi | Unit I: June 1994<br>Unit II: Dec 1994 | 2 x 100 | 60% | 12 |
| | Phase II | | Unit I: Nov. 2004<br>Unit II: Dec. 2004 | 2 x 300 | 60% | 36 |
| Qinbei | Phase I | Henan | Unit I & II: Dec. 2004 | 2 x 600 | 55% | 66 |
| Jinggangshan | | Jiangxi | Unit I: Dec. 2000<br>Unit II: Aug. 2001 | 2 x 300 | 100% | 60 |
| Yueyang | Phase I | Hunan | Unit I: Sep. 1991<br>Unit II: Dec. 1991 | 2 x 362.5 | 55% | 398. |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Phase II(10) | | Unit III: March 2006 Unite IV: May 2006 | 2 x 300 | 55% | 33 |
| Luohuang | Phase I | Chongqing | Unit I: Sep. 1991 Unit II: Feb. 1992 | 2 x 360 | 60% | 43 |
| | Phase II | | Unit I & II: Dec. 1998 | 2 x 360 | 60% | 43 |
| | Jiangbei Gas-fired | Chongqing | Unit I: Jan. 1991 | 1 x 108 | 60% | 64. |
| Pingliang | | Gansu | Unit I: 2000 Unit II: 2001 Unit III: June. 2003 Unit IV: Nov. 2003 | 4 x 300 | 65% | 78 |
| Sichuan Hydropower | | Sichuan | N/A | 1,391 | 60% | 531 |

Project under Construction

| | | | | |
|---|---|---|---|---|
| Shanghai Combined Cycle | Shanghai | | 1 x 390 | 70% |
| Luohuang Phase III | Chongqing | | 2 x 600 | 60% |
| Xindian Phase III | Shandong | | 2 x 300 | 95% |
| Yingkou Phase II | Liaoning | | 2 x 600 | 100% |
| Yuhuan | Zhejiang | | 2 x 1,000 | 100% |
| Huaiyin Phase III | Jiangsu | | 2 x 330 | 63.64% |
| Sichuan Hydropower | Sichuan | | 570 | 60% |

Notes:

(1) Commencement of commercial operations. See "Development of Power Plants -- Plant Start-up and Operation".

(2) Units III and IV of Taicang Power Plant were put into operation in January and February 2006, respectively.

(3) Units I and II of Huaiyin Power Plant each increased installed capacity of 20MW from 200MW to 220MW; and Units III and IV were put into operation in January and March, 2006, respectively.

(4) Unit IV of Shidongkou I Power Plant increased installed capacity of 20MW from 300MW to 320MW.



(5) Units I and II of Shanghai Combined Cycle Power Plant were put into operation in May and June 2006, respectively.

(6) Unit III of Shantou Power Plant Phase II was put into operation in October 2005.

(7) Unit IV of Dezhou Power Plant increased installed capacity of 30MW from

300 MW to 330MW; and Units V and VI expanded installed capacity of 40 MW from 660 MW to 700 MW, respectively.

(8) Unit I of Jining Power Plant with installed capacity of 50MW was put out of operation as of January 1, 2006

(9) Unit IV of Changxing Power Plant increased installed capacity of 10MW from 125MW to 135MW.

(10) Units III and IV of Yueyang Power Plant were put into operation in March 2006 and May 2006, respectively.

In addition to the operating power plants and the projects under construction described above, our proposed coal-fired power projects consist of the total installed capacity of 6,407 MW and the proposed hydro-power projects consist of the total installed capacity of 2,508 MW.

The following table presents the availability factors and the capacity factors of our operating power plants for the years ended December 31, 2003, 2004, and 2005.

| | Availability factor (%) | | | Capacity fac | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2003 | 2004 |
| Dalian | | | 97.49 | | |
| Phase I | 90.66 | 95.08 | | 64.32 | 78.80 |
| Phase II | 96.77 | -- | | 73.79 | -- |
| Dandong | 97.74 | 94.95 | 97.09 | 68.84 | 77.94 |
| Yingkou | -- | 94.07 | 93.72 | -- | 80.74 |
| Fuzhou | | | 93.60 | | |
| Phase I | 91.08 | 92.47 | | 72.03 | 83.13 |
| Phase II | 93.58 | -- | | 72.43 | -- |
| Shangan | | | 93.45 | | |
| Phase I | 89.15 | 93.02 | | 69.76 | 74.95 |
| Phase II | 91.72 | -- | | 71.18 | -- |
| Nantong | | | 93.50 | | |
| Phase I | 89.69 | 92.52 | | 62.61 | 76.47 |
| Phase II | 99.72 | -- | | 73.80 | |
| Nanjing | 94.16 | 94.47 | 90.97 | 72.55 | 77.92 |
| Taicang | 95.31 | 94.74 | 95.53 | 80.71 | 86.18 |
| Huaiyin | 94.44 | 94.35 | 94.38 | 67.98 | 76.70 |
| Shidongkou I | 81.86 | 94.43 | 83.35 | 74.58 | 77.55 |
| Shidongkou II | 91.47 | 96.51 | 92.63 | 78.87 | 80.64 |
| Shantou Oil-Fired | 91.05 | 98.24 | 99.97 | 33.93 | 35.10 |
| Shantou | | | | | |
| Phase I | 94.23 | 92.40 | 92.35 | 84.71 | 88.57 |
| Phase II | | | | | |
| Dezhou | 90.47 | 94.49 | 90.58 | 54.05 | 59.27 |
| Jining | 94.32 | 93.58 | 94.37 | 51.28 | 53.67 |
| Weihai | 94.87 | 94.29 | 95.70 | 58.53 | 63.82 |
| Xindian | 95.52 | 92.11 | 93.29 | 44.99 | 61.77 |
| Changxing | 86.56 | 95.46 | 95.31 | 81.65 | 88.56 |
| Yushe | 94.69 | 95.84 | 92.27 | 80.20 | 85.43 |
| Qinbei | | | 92.58 | | |
| Jinggangshan | -- | 92.40 | 93.16 | -- | 69.12 |

| | | | | | |
|---|---|---|---|---|---|
| Yueyang..... | -- | 89.25 | 93.70 | -- | 71.90 |
| Luohuang..... | -- | 90.71 | 89.44 | -- | 64.48 |
| Pingliang..... | | | 95.39 | | |
| Sichuan Hydropower..... | | | 90.36 | | |

Our operating power plants and projects under construction as of June 15, 2006 are described below.



Power plants in Liaoning Province

Huaneng Dalian Power Plant ("Dalian Power Plant") Dalian Power Plant is located on the outskirts of Dalian, on the coast of Bohai Bay. Dalian Power Plant, including Phase I and Phase II, has an installed capacity of 1,400 MW and consists of four 350 MW coal-fired units which commenced commercial operations in 1988 and 1999 respectively.

The coal supply for Dalian Power Plant is obtained from several coal producers located mostly in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and shipped by special 27,000 ton automatic unloading ships to the wharf at the Dalian Power Plant. The wharf is owned and maintained by the Dalian Port Authority and is capable of handling 30,000 ton vessels. Dalian Power Plant typically stores 140,000 to 150,000 tons of coal on site.

Dalian Power Plant consumes 14,000 tons of coal per day when operating at maximum generating capacity. In 2005, Dalian Power Plant obtained 37.3% its total consumption of coal pursuant to the key contracts and the remainder on the open market. The weighted average cost of coal for Dalian Power Plant was RMB 396.14 (2004: RMB 344.79) per ton in 2005.

Dalian Power Plant sells all its electricity through the Liaoning Electric Power Co., Ltd. Electricity generated by Dalian Power Plant is delivered to the Liaoning Provincial Power Grid.

Huaneng Dandong Power Plant ("Dandong Power Plant") Dandong Power Plant is located on the outskirts of the city of Dandong in Liaoning. Dandong Power Plant had originally been developed by HIPDC which, pursuant to the Reorganization Agreement, transferred all its rights and interests therein to us effective December 31, 1994. In March 1997, we began construction of Dandong Power Plant, which comprises two 350 MW coal-fired units supplied by an international consortium including Westinghouse Electric Corporation, Mitsui Babcock Energy Limited and Sargent & Lundy L.L.C.

Dandong Power Plant consumes 6,200 tons of coal per day when operating at maximum generating capacity. In 2005, Dandong Power Plant obtained 43.18% its total consumption of coal pursuant to the key contracts and the remainder on the open market. The weighted average cost of coal for Dandong Power Plant was RMB 357.76 (2004: RMB 289.67) per ton in 2005.

All the electricity generated by Dandong Power Plant is delivered to the Liaoning Provincial Power Grid and was sold through the Liaoning Electric Power Co., Ltd. The coal supply is obtained from several coal producers in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and shipped by barge to the Dandong port in Dandong, where it is unloaded and transported to Dandong Power Plant using special coal handling facilities. The wharf is owned and maintained by Dandong Power Plant and is capable of handling 28,000 ton vessels. Dandong Power Plant typically

stores 200,000 tons of coal on site.

Huaneng Yingkou Power Plant ("Yingkou Power Plant") Yingkou Power Plant is located in Yingkou City in Liaoning Province. Yingkou Power Plant Phase I has an installed capacity of 640 MW and consists of 2 x 320 MW supercritical coal-fired generating units which commenced commercial operations in January and December 1996 respectively.

The coal supply for Yingkou Power Plant is mainly obtained from Shanxi Province. Yingkou Power Plant consumes 6,600 tons of coal per day when operating at maximum generating capacity. In 2005, Yingkou Power Plant obtained 64.95% its total consumption of coal pursuant to the key contracts and the remainder on the open market. The weighted average cost of coal for Yingkou Power Plant was RMB 352.15 (2004: RMB 301.62) per ton in 2005.

Yingkou Power Plant sells all its electricity through Liaoning Electric Power Co., Ltd. Electricity generated by Yingkou Power Plant is delivered to the Liaoning Provincial Power Grid.

Project under construction in Liaoning Province

Huaneng Yingkou Power Plant Phase II ("Yingkou Phase II") Yingkou Phase II is planned to consist of two 600 MW coal-fired generating units. We own 100% equity interest in this project.



Power plant in Fujian Province

Huaneng Fuzhou Power Plant ("Fuzhou Power Plant") Fuzhou Power Plant is located on the south bank of the Min River, southeast of the city of Fuzhou. Fuzhou Power Plant, including Phase I and Phase II, has an installed capacity of 1,400 MW and consists of four 350 MW coal-fired units which commenced commercial operations in 1988 and 1999 respectively. The units of Phase I and Phase II were respectively supplied by the Mitsubishi Consortium and an international consortium including Siemens Aktiengesellschaft and Mitsui Babcock Energy Limited.

The coal supply for Fuzhou Power Plant is obtained from several coal producers located mostly in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and by ship down the east coast of China and up the Min River to a wharf located at Fuzhou Power Plant. We own and maintain the wharf, which is capable of handling vessels of up to 20,000 tons and of unloading 10,000 tons to 15,000 tons of coal per day. Fuzhou Power Plant typically stores 170,000 to 180,000 tons of coal on site.

Fuzhou Power Plant consumes up to 14,000 tons of coal per day when operating at maximum generating capacity. In 2005, the Fuzhou Power Plant obtained 36.59% its total consumption of coal pursuant to the key contracts and the remainder was obtained on the open market. The weighted average cost of coal for Fuzhou Power Plant in 2005 was RMB 423.91 (2004: RMB 393.15) per ton.

All the electricity sales of Fuzhou Power Plant are made through the Fujian Electric Power Company, Ltd. Electricity generated by Fuzhou Power Plant is delivered to the Fujian Provincial Power Grid.

Power plant in Hebei Province

Huaneng Shangan Power Plant ("Shangan Power Plant") Shangan Power Plant is located on the outskirts of Shijiazhuang. Shangan Power Plant has been developed in two separate expansion phases. The Shangan Power Plant Phase I has

an installed capacity of 700 MW and consists of two 350 MW coal-fired units which commenced commercial operations in 1990. The units were supplied by the General Electric Consortium. Shangan Power Plant Phase II shares with the Shangan Power Plant Phase I certain facilities, such as coal storage facilities and effluence pipes, which have been built to accommodate the requirements of plant expansions. The Shangan Power Plant Phase II utilizes two 300 MW coal-fired units supplied by China Dongfang Group using technology licensed for boilers from Foster Wheeler Energy Corporation. The two generating units commenced commercial operation in 1997.

The coal supply for Shangan Power Plant is obtained from numerous coal producers in Central Shanxi Province, which is approximately 64 kilometers from Shangan Power Plant. The coal is transported by rail from the mines to the Shangan Power Plant. We own and maintain the coal unloading facilities which are capable of unloading 10,000 tons of coal per day. Shangan Power Plant typically stores 80,000 to 120,000 tons of coal on site.

Shangan Power Plant consumes 9,000 tons of coal per day when operating at maximum generating capacity. In 2005, Shangan Power Plant obtained 55.15% its total consumption of coal pursuant to the key contracts and the remainder was obtained on the open market. The weighted average cost of coal for Shangan Power Plant in 2005 was RMB 286.70 (2004: RMB 212.20) per ton.

Shangan Power Plant sells all its electricity through the Hebei Electric Power Corporation. Electricity generated by Shangan Power Plant is delivered to the Hebei Provincial Power Grid.

Power plants in Jiangsu Province

Huaneng Nantong Power Plant ("Nantong Power Plant") Nantong Power Plant is located in the city of Nantong. Nantong Power Plant, including Phase I and Phase II, has an installed capacity of 1,404 MW and consists of two 352 MW and two 350 MW coal-fired units which commenced commercial operations in 1989, 1990 and 1999, respectively. The units were supplied by the General Electric Consortium.

The coal supply for Nantong Power Plant is obtained from several coal producers located mostly in Northern Shanxi Province. The coal is transported by rail from the mines to Qinhuangdao port and by ship to Yaogang, 7.5 kilometers from the Nantong Power Plant, where it is transshipped onto Company barges for the last stage of the journey up the Yangtze River to the wharf located adjacent to the Nantong Power Plant. We own and maintain the wharf which is capable of handling 5,000 ton barges and of unloading 15,000 tons of coal per day. Nantong Power Plant typically stores 120,000 to 150,000 tons of coal on site.



Nantong Power Plant consumes up to 14,000 tons of coal per day when operated at maximum generating capacity. In 2005, Nantong Power Plant obtained 54.17% its total consumption of coal pursuant to the key contracts and the remainder was obtained on the open market. The weighted average cost of coal for Nantong Power Plant in 2005 was RMB 397.03 (2004: RMB 332.41) per ton.

Nantong Power Plant sells all its electricity through the Jiangsu Electric Power Company. Electricity generated by Nantong Power Plant is delivered to the Jiangsu Provincial Power Grid.

Huaneng Nanjing Power Plant ("Nanjing Power Plant") Nanjing Power Plant has an installed capacity of 640 MW consisting of two 320 MW coal-fired units which commenced commercial operations in March and October 1994,

respectively.

The coal supply for the Nanjing Power Plant is obtained from several coal producers located in the Shanxi and Anhui Provinces. The coal is transported by rail from the mines to Yuxikou Port and Pukou Port and shipped to the plant's own wharf facilities. The wharf is capable of handling 6,000 ton vessels. Nanjing Power Plant typically stores 100,000 tons of coal on site and consumes 5,000 tons of coal per day when operating at maximum generating capacity.

In 2005, Nanjing Power Plant obtained approximately 39.91% its total consumption of coal pursuant to the key contracts and the remainder was obtained on the open market. The weighted average cost of coal for Nanjing Power Plant in 2005 was RMB 412.11 (2004: RMB 348.95) per ton.

Nanjing Power Plant sells all its electricity through the Jiangsu Electric Power Company. Electricity generated by Nanjing Power Plant is delivered to the Jiangsu Provincial Power Grid.

Taicang Power Plant. Taicang Power Plant Phase I was constructed in the late 1990's. It is located in the vicinity of Suzhou, Wuxi and Changzhou, which is the most affluent area in Jiangsu Province. Taicang Power Plant is an ancillary facility of the China-Singapore Suzhou Industrial Park and has a total planned capacity of 1,200 MW. Taicang Power Plant Phase I consists of 2 x 300 MW PRC-built coal-fired generating units, which commenced operation in December, 1999 and April, 2000 respectively. Taicang Phase II Expansion consists of two 600 MW coal-fired generating units, which commenced operation in January and February 2006, respectively.

The coal supply for Taicang Power Plant is primarily from Shenhua in Inner Mongolia and Datong in Shanxi Province. Taicang Power Plant consumes up to 6,000 tons of coal per day when operating at maximum generating capacity.

In 2005, Taicang Power Plant obtained approximately 68.81% its total consumption of coal pursuant to the key contracts and the remainder was obtained on the open market. The weighted average cost of coal for Taicang Power Plant in 2005 was RMB 391.03 (2004: RMB 339.94) per ton.

Taicang Power Plant sells all its electricity through the Jiangsu Electric Power Company. Electricity generated by Taicang Power Plant is delivered to the Jiangsu Provincial Power Grid.

Huaiyin Power Plant. Huaiyin Power Plant was constructed in the early 1990's. It is located in the Centre of the Northern Jiangsu Power Grid. The plant's 2 x 220 MW PRC-built coal-fired generating units commenced operation in November, 1993 and August, 1994 respectively. In order to reduce energy consumption and increase capacity, one generating unit of Huaiyin Power Plant was upgraded in October 2001, which increased the maximum generation capacity of that unit to 220 MW. In 2002, upgrading of the second generating unit was completed, and the actual generation capacity of Huaiyin Power Plant is 440 MW. The other two 330 MW coal-fired generating units of Huaiyin Power Plant Phase II Expansion have commenced commercial operations in January and March 2005, respectively.

In 2005, Huaiyin Power Plant obtained approximately 59.6% its total consumption of coal pursuant to the key contracts and the remainder was obtained on the open market. The weighted average cost of coal for Huaiyin Power Plant in 2005 was RMB 403.61 (2004: RMB 358.62) per ton.

The coal supply for the Huaiyin Power Plant is primarily from Anhui Province, Shaanxi Province, Henan Province and Shanxi Province. Huaiyin Power Plant consumes up to 4,600 tons of coal per day when operating at maximum

generating capacity.

Huaiyin Power Plant sells its electricity to Jiangsu Electric Power Company and delivers its electricity to the Jiangsu Provincial Power Grid.



Project under construction in Jiangsu Province

Huaiyin Power Plant Phase III is expected to consist of two 330 MW generating units. We own 63.64% equity interest in this project.

Power plants in Shanghai Municipality

Shanghai Shidongkou First Power Plant ("Shidongkou I") Shidongkou I was constructed in the 1980's and is located in the northern region of the Shanghai Power Grid. The plant comprises 3 x 300 MW and 1 x 320 PRC-built coal-fired generating units, which commenced operation in February, 1988, December, 1988, September, 1989 and May, 1990 respectively, and has a total installed capacity of 1,220 MW.

The coal supply for Shidongkou I is primarily from Shanxi Province, Anhui Province and Henan Province.

In 2005, Shidongkou I obtained approximately 20.14% its total consumption of coal pursuant to the key contracts and the remainder was obtained on the open market. The weighted average cost of coal for Shidongkou I in 2005 was RMB 409.69 (2004: RMB 359.93) per ton.

Shidongkou I sells its electricity through Shanghai Municipal Electric Power Company. Electricity generated by Shidongkou I is delivered to the Shanghai Municipal Power Grid.

Huaneng Shanghai Shidongkou Second Power Plant ("Shidongkou II") Shidongkou II is located in the northern suburbs of Shanghai. Shidongkou