(Amounts expressed in Rmb unless otherwise stated)

26. EARNINGS PER SHARE

	Year ended 31st December,					
	2000			1999		
	Net Profit Rmb'000	**Shares '000**	**Per Share Amount Rmb**	Net Profit Rmb'000	Shares '000	Per Share Amount Rmb
Earnings per Share						
Net profit attributable to shareholders	**2,515,830**	**5,650,000**	**0.45**	1,868,175	5,650,000	0.33
Interest on convertible notes (net of tax effect and excluding interest capitalized)	**122,546**	**—**		118,809	—	
Effect of assumed conversion	**—**	**315,068**		—	315,068	
Diluted Earnings per Share						
Net profit attributable to shareholders plus effect of assumed conversion	**2,638,376**	**5,965,068**	**0.44**	1,986,984	5,965,068	N/A

Basic earnings per share was computed by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. On a diluted basis, both net profit attributable to shareholders and the weighted average number of ordinary shares outstanding were adjusted on the assumption that the convertible notes (see Note 16) had been fully converted at the beginning of the year. For the year ended 31st December, 1999, the 1.75% convertible notes had no dilution effect on the earnings per share.

(Amounts expressed in Rmb unless otherwise stated)

27. NOTES TO CASH FLOW STATEMENT

a. Major non-cash transaction

The Company acquired the Nanjing Power Plant from HIPDC and Nanjing Investment (see Note 5(d)) in 1999. The fair value of the assets acquired and the liabilities assumed were as follows:

	Rmb'000
Cash	150,229
Accounts receivable	59,238
Materials and supplies	44,802
Other receivables and assets	17,765
Other long-term assets	407
Property, plant and equipment, net	2,429,312
Total assets acquired	2,701,753
Short-term bank loans	(122,000)
Accounts payable and accrued liabilities	(146,348)
Taxes payable	16,518
Staff welfare and bonus payable	(4,757)
Long-term loans	(1,092,150)
Total liability assumed	(1,348,737)
Net purchase consideration	1,353,016
Less: Cash of Nanjing Power Plant	(150,229)
Cash settlement of net purchase consideration	(1,111,375)
Total non-cash amount in respect of the acquisition of Nanjing Power Plant	91,412

(Amounts expressed in Rmb unless otherwise stated)

27. NOTES TO CASH FLOW STATEMENT *(Cont'd)*

b. Undrawn borrowing facilities

As at 31st December, 2000, the undrawn borrowing facilities available to finance the Company's capital commitments for its various power plant construction projects amounted to approximately Rmb1.5 billion (1999: Rmb1.5 billion). Such borrowing facilities would be drawn down in accordance with the financial requirements of the projects. Based on current plans, such borrowing facilities will be utilized as follows:

	2000	1999
	'000	'000
Amount to be drawn down:		
Within one year	**587,738**	436,583
Between two to five years	**919,358**	1,071,316
	1,507,096	1,507,899

28. OBLIGATIONS AND COMMITMENTS

a. Capital Commitments

Commitments mainly relate to the construction of some complimentary facilities and renovation projects for existing power plants and the purchase of coal. Commitments outstanding as at 31st December, 2000 not provided for in the balance sheet were as follows:

	2000	1999
	'000	'000
Authorized and contracted for	**1,585,005**	4,434,318
Authorized but not contracted for	**112,729**	—
	1,697,734	4,434,318

(Amounts expressed in Rmb unless otherwise stated)

28. OBLIGATIONS AND COMMITMENTS *(Cont'd)*

b. Operating lease commitments

The Company has various operating lease arrangements with HIPDC for land and buildings (see Note 5). Some of the leases contain renewal options. Most of the leases contain escalation clauses. Lease terms do not contain restriction on the Company's activities concerning dividends, additional debts or further leasing.

Total future minimum lease payments under non-cancelable operating leases are as follows:

	2000	1999
	'000	'000
Land and buildings		
Not later than one year	**32,334**	7,334
Later than one year and not later than two years	**32,334**	7,334
Later than two years and not later than five years	**72,002**	22,002
Later than five years	**306,362**	313,696
	443,032	350,366

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, temporary cash investments, short-term investments, short-term borrowings and other current financial assets and liabilities approximate fair value due to the short-term maturity of these instruments.

The estimated fair value of long-term debt including current maturities was Rmb11.22 billion and Rmb12.28 billion, respectively, as at 31st December, 2000 and 31st December, 1999 based on current market interest rates for comparable instruments. The book value of these liabilities was Rmb11.55 billion and Rmb12.76 billion, respectively, as at 31st December, 2000 and 1999.

The quoted market rate of the convertible notes was 117% and 103% as at 31st December, 2000 and 31st December, 1999 respectively (100% as at the issue date with total proceeds of US$230 million or Rmb1,908 million equivalent).

30. BANKING FACILITIES

In accordance with the banking facilities agreement signed between the Company and Bank of China ("BOC"), BOC granted the company unsecured banking facilities amounting to approximately Rmb6.95 billion for one year. The banking facilities included Rmb6 billion of bridging loan for acquisition of Shandong Huaneng or other power plants, Rmb0.9 billion of short-term loan and Rmb50 million of unsecured letter of credit.

As at 31st December, 2000, the unused facilities amounted to Rmb6.15 billion.

(Amounts expressed in Rmb unless otherwise stated)

31. HEDGING OF INTEREST RATE RISK

The Company has entered into interest rate swap agreements with a local bank to convert its floating rate bank loans into fixed rate debts of the same principal amounts and for the same maturities. As at 31st December, 2000, the notional amount of the outstanding interest rate swap agreements was approximately US$114 million (1999: US$114 million).

32. PRIOR YEAR ADJUSTMENTS

In prior years, dividends proposed or declared after the balance sheet date were recognized as a liability as at the balance sheet date. Because of the adoption of the revised IAS 10 "Events After the Balance Sheet Date", dividends proposed or declared after the balance sheet date are no longer permitted to be recognized as a liability as at the balance sheet date. As a result, the dividend of Rmb1.243 billion for the year ended 31st December, 2000 declared by the Board of Directors on 14th March, 2001 should be recorded in the Company's financial statements for the year ending 31st December, 2001.

This change in accounting policy has been applied retrospectively with the result that the Company's retained earnings as at 31st December, 1998 and 1999 were increased by Rmb452 million and Rmb508.5 million respectively, being the amount of dividends declared by the Company after the respective balance sheet dates. Comparative figures as at 31st December, 1999 and for the year then ended have been restated to reflect this change in accounting policy.

33. CONCENTRATION OF RISK

a. Business Risk

The Company conducts its operations in the PRC and accordingly is subject to special considerations and significant risks not typically associated with investments in equity securities in the United States of America and Western European companies. These include risks associated with, among others, the political, economic and legal environment, restructuring of the PRC electric power industry and regulatory reform, new regulation pertaining to setting of power tariff and availability of fuel supply at stable price.

b. Interest Rate Risk

The interest rates and terms of repayment of the convertible notes, shareholders loans, bank loans and other loans of the Company are disclosed in Notes 16, 18, 19 and 20.

(Amounts expressed in Rmb unless otherwise stated)

33. CONCENTRATION OF RISK *(Cont'd)*

c. Foreign Currency Risk

The Company has foreign currency risk as its convertible notes and a significant portion of its long-term bank loans and shareholder loans are denominated in foreign currencies, principally US dollars, as described in Note 16, 18(b) and 20 (b). Fluctuation of exchange rates of Renminbi against foreign currencies could affect the Company's results of operation.

d. Credit risks

Significant portion of the Company's cash and cash equivalents and temporary cash investments maturing over three months are deposited with the four largest state-owned banks of the PRC.

Each power plant of the Company sells the electricity generated to its sole customer (i.e. provincial or regional power company) in the province or region where the power plant is situated.

34. SUBSEQUENT EVENT

On 18th July, 2000, the Company and Shandong Huaneng Power Development Co., Ltd. ("Shandong Huaneng") entered into an agreement under which the Company would acquire the net assets of Shandong Huaneng. The shareholders of Shandong Huaneng are entitled to Rmb1.34 per ordinary A share or US$0.1618 per ordinary N share (the "Transaction"). The total consideration of the Transaction is approximately Rmb5,768 million payable in cash.

Before the Transaction, Shandong Huaneng owned and operated the net assets of Dezhou Power Plant and held 60%, 75% and 25.5% equity interests in Waihai Power Plant, Jining Power Plant and Rizhao Power Plant respectively. These power plants own coal-fired power generating facilities in Shandong province and sells all the power generated to Shandong Electric Power Group Corporation. After obtaining all the necessary government approvals on the Transaction, the Company took over the control of the net assets and operations of Shandong Huaneng from 1st January, 2001.

The acquired identifiable assets and liabilities are recorded based on their respective fair values on 1st January, 2001. The Company estimated that the fair value of the net identifiable assets and liabilities of Shandong Huaneng on that date to be approximately Rmb8.248 billion. Such estimation was made by the Company based on the current information available, taking into consideration the recoverability and realizability of each asset and liability. The Company may adjust these fair values estimates, after taking into account the possible industry regulatory reform and other matters. On the above basis, the resulting negative goodwill amounted to approximately Rmb2.457 billion, which would be amortized over the expected useful life of 10 years on the straight-line basis, starting from 1st January, 2001.