Supplemental Information for North American Shareholders

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

(a) Effect of the Acquisition of Entities under Common Control

Under IFRS, the Company and its subsidiaries adopted the acquisition method to account for the acquisition of 70% equity interest in Shanghai Shidongkou First Power Plant, 70% equity interest in Taicang Power Company and all of the assets and liabilities of Changxing Power Plant in July, 2002. Under the acquisition method, the acquired results are included in the results of operations of the Company and its subsidiaries from the date of the acquisition. The difference between the purchase consideration and the fair value of the underlying net assets acquired is treated as goodwill and amortized on a systematic basis to the income statement over the remaining weighted average useful life of the acquired depreciable or amortizable assets.

As the Company and its subsidiaries, Shanghai Shidongkou First Power Plant, Taicang Power Company, and Changxing Power Plant were under common control of Huaneng Group prior to the acquisition, under US GAAP, the acquisition is considered to be a transfer of businesses under common control and the acquired assets and liabilities are accounted at historical cost in a manner similar to the 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 cash consideration paid by the Company is treated as an equity transaction in the year of the acquisition for US GAAP purposes.

(b) Effect of Acquisition of 30% Additional Equity Interests in Shanghai Shidongkou First Power Plant, 5% Additional Equity Interests in Taicang Power Company and 44.16% Equity Interests in Huaiyin Power Company

On 1st July, 2002, the Company acquired 44.16% equity interests of Huaiyin Power Company from Huaneng Group. On 31st December, 2002, the Company acquired 30% additional equity interests of Shanghai Shidongkou First Power Plant and 5% equity interests of Taicang Power Company from Huaneng Group.

Under IFRS, upon the completion of the above acquisitions, the relevant equity interests of the net assets of Shanghai Shidongkou First Power Plant, Taicang Power Company and Huaiyin Power Company are recorded at fair value. The excess of the total cost of the acquisition over the fair value of the relevant portion of the net assets of the power plants acquired is recorded as goodwill. Such goodwill is amortized on a systematic basis to the income statement over the remaining weighted average useful life of the acquired depreciable or amortizable assets. Under US GAAP, upon completion of the above acquisitions, Huaneng Group's proportionate share in the net assets of Shanghai Shidongkou First Power Plant, Taicang Power Company and Huaiyin Power Company being sold to the Company was recorded at the historical carrying value. The excess of the total cost of acquisition over the net assets acquired was recorded as a reduction of capital contribution to the Company. Accordingly, the resulting impact of depreciation and amortization expenses on income is also different.

(c) Housing Benefits Provided by HIPDC

HIPDC sold to certain qualified employees of the Company living quarters owned by HIPDC at preferential prices. The difference between the cost of living quarters and the sales proceeds received from the employees is considered to be a housing benefit. Under IFRS, such housing benefits provided by HIPDC are not reflected in the financial statements of the Company. Under US GAAP, the amount of housing benefits provided by HIPDC to the employees of the Company are recognized as the Company's operating expenses on a straight-line basis over the estimated remaining average service life of the employees. The corresponding amount is recorded as an addition of capital contribution from HIPDC.

(d) Amount of Negative Goodwill Upon Acquisition of Shandong Huaneng

Huaneng Group is the controlling parent company of HIPDC, which in turn is the controlling parent of the Company. Huaneng Group used to be one of the substantial shareholders of Shandong Huaneng, holding 33.09% equity interest in it before the Company's acquisition of Shandong Huaneng ("Acquisition of Shandong Huaneng "). Under IFRS, upon the completion of the acquisition of Shandong Huaneng, the entire net assets of Shandong Huaneng are recorded at fair value. The excess of the fair value of the entire net assets acquired over the total cost of the acquisition is recorded as negative goodwill. Under US GAAP, upon completion of the acquisition of Shandong Huaneng, Huaneng Group's proportionate share of 33.09% in the net assets of Shandong Huaneng being transferred to the Company was recorded at the historical carrying value. The excess of the proportionate share in the book value of the net assets acquired over the relevant portion of the cash consideration was recorded as a capital contribution to the Company. The book value of the remaining 66.91% of the net assets continues to be part of the recoverable rate base under the cost recovery formula of the tariff setting mechanism. The difference between these net asset values and the cash consideration is recorded as a negative goodwill.

The amount of negative goodwill determined under IFRS was recognized as income on a systematic basis over the remaining weighted average useful life of the acquired depreciable or amortizable assets. The amount of negative goodwill under US GAAP determined on the basis as described above was offset against the fixed assets of the respective power plants as a purchase allocation adjustment. As the amount of negative goodwill under IFRS is different from the amount of the purchase allocation adjustment determined under US GAAP due to the 33.09% portion of the net assets previously owned by Huaneng Group as described above, the net impact on income is also different.

(e) Accounting Treatment of Convertible Notes

Under IFRS, the proceeds received on the issue of the convertible notes were allocated into liability and equity components. Upon initial recognition, the liability component represented the present value, at the issuance date, of the contractually determined stream of cash flows discounted at the market interest rate for instruments of comparable credit status providing substantially the same cash flows, on the same terms, but without the conversion option. The equity component was then determined by deducting the liability component from the proceeds received on the issue of the notes. Under US GAAP, the entire proceeds of the issue of convertible notes were recorded as long-term liabilities without distinguishing between the equity and liability components.

In accordance with IAS 39, which was effective on 1st January, 2001, the put option of the convertible notes, which allowed the noteholders to redeem the convertible notes at a premium, was separated from the host contract and accounted for as an embedded derivative. This put option was recorded as a liability and measured at its fair value. When IAS 39 was initially applied in 2001, the difference between the previous carrying amount and the fair value of the put option was recognised as an adjustment to the opening retained earnings as at 1st January, 2001. In addition, the liability component was measured at amortized cost and the resulting difference with the previous carrying amount was recognized as an adjustment to the opening retained earnings as at 1st January, 2001. After initial recognition, subsequent changes in the value of the put option and the amortized cost of the liability component were charged or credited to income statements.

Under US GAAP, it is permitted not to measure the put option separately at its fair value, as it represents a derivative embedded in pre-1998 hybrid instrument. The Company continued to accrue for the put premium liability together with the interest payable on the notes using effective interest rate of 6.66% up to the redemption date of 21st May, 2002. On 21st May, 2002, a portion of the convertible notes was not redeemed by the noteholders. Under US GAAP, the relevant portion of the accrued put premium attributable to the remaining convertible notes not redeemed was amortized as a yield adjustment over the remaining term of the convertible notes because the put price exceeded the market value of the ordinary shares of the Company at the time of the redemption.

(f) Capitalization of Borrowing Costs

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

Under US regulatory accounting requirements, interests on funds borrowed generally and used for the purpose of obtaining a qualifying asset were not capitalized if such interests were not taken into consideration when determining the recoverable rate base for tariff setting purposes.

(g) Deferred Tax Impact

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

(h) US Regulatory Accounting

Under US GAAP, Statement of Financial Accounting Standard Number 71 "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71") is applicable to utilities in the United States whose regulators have the power to approve and/or regulate rates that may be charged to customers. SFAS 71 recognizes that the regulatory process produces economic effects which should be reflected in the financial statements. Because revenues are based on costs, SFAS 71 governs the period in which various costs are included in the income statements with the objective of matching costs with revenues. Provided that, through the rate setting process, the utility is substantially assured of recovering its allowable costs by the collection of revenue from its customers, such costs not yet recovered are deferred as regulatory assets. The regulatory process may also impose a liability on a rate-regulated enterprise, usually representing obligations to the enterprise's customers, which should be recognized as regulatory liability.

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

The Company and its subsidiaries believe that all of their power plants meet these specific criteria of SFAS 71 with the exception of the Shidongkou First Power Plant, the Taicang Power Company, the Huaiyin Power Company and the Changxing Power Plant ("Four New Power Plants") acquired during the year ended 31st December, 2002. Firstly, the power rates are established by an independent regulator, the provincial or local price bureau. Further, the pricing policy applicable to the power plants (with the exception of the Four New Power Plants) provides for rate-setting based on the specific costs of the power plants. This process has operated historically and will continue under the pricing policy. Finally, based on the significant demand for electricity in its service territory, it is reasonable to assume that the authorized power rates will be collected from customers.

With respect to the Four New Power Plants acquired during the year, the criteria mentioned above are not met and, therefore, SFAS71 cannot be applied. Consequently, the Four New Power Plants have adopted US GAAP without specific reference to the regulatory basis of accounting provided for under SFAS71.

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

For the year ended 31st December, 2002, there was no material difference in the recognition of both regulatory and non-regulatory assets and liabilities between IFRS and US GAAP.

(i) Impairment of Long-lived Assets

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

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

For the year ended 31st December, 2002, no differences arose in respect of the timing and the amount of impairment in long-lived assets recognized.

Supplemental Information for North American Shareholders

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

		Equity	
	Note	**As at December 31, 2002 Rmb'000**	As at December 31, 2001 Rmb'000
Equity under IFRS		**30,416,060**	28,293,530
Impact of US GAAP adjustments *Note i*:			
Effect of acquisition of Shanghai Shidongkou First Power Plant, Taicang Power Company and Changxing Power Plant	*(a)*	**(998,752)**	740,065
Effect of acquisition of 30% additional equity interests in Shanghai Shidongkou First Power Plant, 5% additional equity interests in Taicang Power Company and 44.16% equity interests in Huaiyin Power Company	*(b)*	**(313,859)**	—
Recording of capital contribution arising from acquisition of Shandong Huaneng	*(d)*	**862,922**	862,922
Difference in amortization of negative goodwill	*(d)*	**(174,182)**	(87,091)
Adjustments on convertible notes			
- Reversal of equity component of the convertible notes	*(e)*	**(510,506)**	(510,506)
- Reversal of adjustment relating to the convertible notes arising form the initial adoption of IAS 39	*(e)*	**463,921**	463,921
- Difference in accounting treatment of convertible notes	*(e)*	**5,246**	—
Difference in capitalization of borrowing costs	*(f)*	**(88,412)**	—
Applicable deferred tax impact of the above GAAP differences	*(g)*	**252,124**	62,943
Equity under US GAAP *Note i*		**29,914,562**	29,825,784

	Note	Net income For the year ended December 31, 2002 Rmb'000	2001 Rmb'000	2000 Rmb'000
Net income under IFRS		**3,921,004**	3,450,658	2,515,830
Impact of US GAAP adjustments *Note i*:				
Effect of acquisition of Shanghai Shidongkou First Power Plant, Taicang Power Company and Changxing Power Plant	*(a)*	**126,498**	234,127	149,711
Effect of acquisition of 30% additional equity interests in Shanghai Shidongkou First Power Plant, 5% additional equity interests in Taicang Power Company and 44.16% equity interests in Huaiyin Power Company	*(b)*	**10,556**	—	—
Recording housing benefits provided by HIPDC	*(c)*	**(26,152)**	(26,152)	(26,152)
Difference in amortization of negative goodwill	(d)	**(87,091)**	(87,091)	—
Difference in accounting treatment of convertible notes	*(e)*	**5,116**	—	—
Difference in capitalization of borrowing costs	*(f)*	**(88,412)**	—	—
Applicable deferred tax impact of the above GAAP differences	*(g)*	**33,674**	—	—
Net income under US GAAP *Note i*		**3,895,193**	3,571,542	2,639,389
Basic earnings per ordinary share under US GAAP (Rmb) *Note ii*		**0.65**	0.63	0.47
Basic earnings per ADS under US GAAP (Rmb) *Note ii*		**25.97**	25.09	18.69
Diluted earnings per ordinary share under US GAAP (Rmb) *Note ii*		**0.64**	0.62	0.46
Diluted earnings per ADS under US GAAP (Rmb) *Note ii*		**25.62**	24.63	18.52

(Note i) Consistent with applying the accounting treatment under US GAAP as described in Note (a) above, the consolidated financial statements under US GAAP for prior periods presented have been retroactively restated as if the current structure and operations resulted from the acquisition of the three new power plants had been in existence since the beginning of the earliest period presented.

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

Supplemental Information for North American Shareholders

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

The following are condensed consolidated balance sheets of the Company and its subsidiaries as at 31st December, 2001 and 2002, and the related condensed consolidated statements of income, change in shareholders' equity and cash flows for each of the years in the three-year period ended 31st December, 2002, restated to reflect the effect of the acquisition of entities under common control which is accounted for at historical cost in a manner similar to the pooling of interests method under US GAAP and other differences between IFRS and US GAAP.

Condensed Consolidated Balance Sheets

	As at 31st December,	
	2002 **Rmb'000**	2001 Rmb'000
ASSETS		
Non-current assets		
Property, plant and equipment, net	**38,434,682**	39,270,064
Investment in an associate	**200,960**	226,488
Deferred tax assets	**240,781**	62,943
Goodwill	**63,754**	—
Other long-term assets	**1,322,828**	1,043,748
Total non-current assets	**40,263,005**	40,603,243
Current assets		
Inventories, net	**923,341**	789,731
Other receivables and assets, net	**242,905**	313,165
Accounts receivable	**2,361,833**	1,780,694
Restricted cash	**13,259**	—
Temporary cash investments	**1,141,502**	6,224,070
Cash and cash equivalents	**3,002,601**	2,414,448
Total current assets	**7,685,441**	11,522,108
Total assets	**47,948,446**	52,125,351

	As at 31st December,	
	2002	2001
	Rmb'000	Rmb'000
EQUITY AND LIABILITIES		
Shareholders' equity	**29,914,562**	29,825,784
Minority interests	**869,621**	815,179
Non-current liabilities		
Convertible notes	**166,498**	—
Accrued put premium on convertible notes	**30,841**	—
Long-term loans from shareholders	**388,891**	940,931
Long-term bank loans	**8,464,521**	10,213,298
Other long-term loans	**331,389**	106,799
Other financial liabilities	**19,397**	14,875
Deferred tax liabilities	**110,510**	—
Total non-current liabilities	**9,512,047**	11,275,903
Current liabilities		
Accounts payable and accrued liabilities	**3,734,350**	2,840,125
Taxes payable	**620,189**	549,880
Due to HIPDC	**100,475**	36,584
Due to other related parties	**—**	26,123
Staff welfare and bonus payable	**233,566**	381,402
Short-term loans	**550,000**	440,000
Current portion of long-term loans from shareholders	**388,891**	36,635
Current portion of long-term bank loans	**1,928,732**	3,208,795
Current portion of other long-term loans	**96,013**	283,273
Convertible notes	**—**	1,903,618
Accrued put premium for convertible notes	**—**	502,050
Total current liabilities	**7,652,216**	10,208,485
Total liabilities and equity	**47,948,446**	52,125,351

Supplemental Information for North American Shareholders

Condensed Consolidated Statements of Income

	Year ended 31st December,		
	2002 **Rmb'000**	2001 Rmb'000	2000 Rmb'000
Operating revenue, net	**19,845,599**	18,692,529	15,073,428
Operating expenses:			
Fuel	**(7,583,013)**	(6,434,453)	(4,956,405)
Maintenance	**(698,598)**	(934,612)	(829,961)
Depreciation	**(3,501,363)**	(3,466,411)	(3,013,962)
Labor	**(1,162,506)**	(1,043,248)	(912,737)
Transmission fees	**(35,754)**	(36,925)	(17,094)
Service fees to HIPDC	**(263,716)**	(307,322)	(310,742)
Income tax	**(1,001,683)**	(888,916)	(542,805)
Others	**(822,900)**	(820,446)	(652,703)
Total operating expenses	**(15,069,533)**	(13,932,333)	(11,236,409)
Income before financial expenses	**4,776,066**	4,760,196	3,837,019
Interest income	**84,735**	115,918	82,047
Interest expense	**(724,397)**	(1,087,443)	(1,204,619)
Exchange losses, net	**(31,418)**	(41,794)	(34,932)
Total financial expenses	**(671,080)**	(1,013,319)	(1,157,504)
Share of loss of associates	**(1,634)**	(5,381)	—
Minority interests	**(208,159)**	(169,954)	(40,126)
Net income attributable to the shareholders	**3,895,193**	3,571,542	2,639,389

Condensed Consolidated Statements of Changes in Shareholders' Equity

	Rmb'000
Balance as at 1st January, 2000	21,885,465
Dividend relating to 1999	(508,500)
Net profit attributable to shareholders for the year ended 31st December, 2000	2,639,389
Capital contribution from HIPDC on housing benefits	26,152
Distribution to Huaneng Group	(58,734)
Balance as at 31st December, 2000	23,983,772
Dividends relating to 2000	(1,243,000)
Net profit attributable to shareholders for the year ended 31st December, 2001	3,571,542
Capital contribution arising from acquisition of Shandong Huaneng	862,922
Capital contribution from HIPDC on housing benefits	26,152
Issuance and sale of 350,000,000 new Domestic Shares, net of direct issuance cost	2,770,058
Distribution to Huaneng Group	(145,662)
Balance as at 31st December, 2001	29,825,784
Dividends relating to 2001	(1,800,000)
Net profit attributable to shareholders for the year ended 31st December, 2002	3,895,193
Conversion of convertible notes to new ordinary shares	1,655
Net deemed capital distribution to Huaneng Group arising from the acquisition of the equity interests of the four power plants and additional interests in Shanghai Shidongkou First Power Plant and Taicang Power Company	(2,034,222)
Capital contribution from HIPDC on housing benefits	26,152
Balance as at 31st December, 2002	29,914,562

Supplemental Information for North American Shareholders

Condensed Consolidated Statements of Cash Flows

	Year ended 31st December,		
	2002	2001	2000
	Rmb'000	Rmb'000	Rmb'000
Net cash provided by operating activities	**7,469,213**	6,598,191	6,093,354
Net cash provided by (used in) investing activities	**2,620,931**	(4,720,026)	(5,880,521)
Net cash used in financing activities	**(9,501,991)**	(1,567,272)	(820,433)
Net increase (decrease) in cash and cash equivalents	**588,153**	310,893	(607,600)
Cash and cash equivalents, beginning of year	**2,414,448**	2,103,555	2,711,155
Cash and cash equivalents, end of year	**3,002,601**	2,414,448	2,103,555

Statement of Comprehensive Income

Under US GAAP, certain items shown as components of common equity must be more prominently reported in a separate statement as components of comprehensive income. However, for each of the year in the three-year period ended 31st December, 2002, apart from the net income, there was no other comprehensive income which should be included in the statement of comprehensive income.

New Accounting Pronouncement

The Financial Accounting Standards Board ("FSAB") issued Statement of Financial Accounting Standards No. 143, Accounting for Assets Retirement Obligations ("SFAS 143"), Statement of Financial Accounting Standards No. 145, Recession of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections ("SFAS 145"), Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated With Exit or Disposal Activities ("SFAS 146"), Statement of Financial Accounting Standards No. 147, Acquisitions of Certain Financial Institutions ("SFAS 147"), Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure ("SFAS 148"), FASB Interpretation No.45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, An Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34 ("FIN 45") and FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46").

SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated assets retirement costs.

SFAS 145 rescinds Statement of Financial Accounting Standards No. 4, Reporting Gains and Losses from Extinguishment of Debt ("SFAS 4"), and an amendment of SFAS 4, Statement of Financial Accounting Standards No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. It also rescinds Statement of Financial Accounting Standards No. 44, Accounting for Intangible Assets of Motor Carriers. It amends Statement of Financial Accounting Standards No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. It also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions.

SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)."

SFAS 147 removes acquisitions of financial institutions from the scope of both Statement of Financial Accounting Standards No. 72, Accounting for Certain Acquisitions of Banking or Thrift Institutions and Financial Accounting Standards Board Interpretation No. 9, Applying APB Opinions No. 16 and 17 When a Savings and Loan Association or a Similar Institution Is Acquired in a Business Combination Accounted for by the Purchase Method and requires that those transactions be accounted for in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, it amends Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor and borrower relationship intangible assets and credit cardholder intangible assets.

SFAS 148 amends Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, it amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions under FIN 45 are applicable prospectively to guarantees issued or modified after 31st December, 2002. The adoption of disclosure requirements that are effective for the year ended 31st December, 2002, did not have a material effect on the consolidated financial statements of the Company and its subsidiaries.

FIN 46 provides guidance on the identification of and financial reporting for entities over which control is achieved through means other than voting rights. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved.

SFAS 143, SFAS 145, SFAS 146, SFAS 147, SFAS 148, FIN 45 and FIN 46 are effective for fiscal years beginning after 15th December, 2002 or later. The Company has not completed its assessment of the effects of adoption these new accounting pronouncements.