Supplemental Information

FOR THE YEAR ENDED 31ST DECEMBER, 2002
(Prepared on consolidation basis; all amounts are stated in Rmb Yuan unless otherwise stated)

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS

The financial statements, which are prepared by the Company and its subsidiaries in conformity with PRC GAAP, differ in certain respects from IFRS (audited by PricewaterhouseCoopers Certified Public Accountants). Major differences between PRC GAAP and IFRS which affect the net income and net assets of the Company and its subsidiaries are summarized as follows:

	Net Income	
	For the year ended 31st December 2002	For the year ended 31st December, 2001
Net income under PRC GAAP	**4,082,350,589**	3,636,064,244
Impact of IFRS adjustments:		
Effect of recording deferred revenue based on rate making process (a)	**(212,755,386)**	(177,982,374)
Difference in the basis of determining the amount of materials and supplies (b)	**3,078,998**	2,180,035
Difference in the recognition policy on housing benefits to the employees of the Company (c)	**6,457,886**	5,271,603
Difference in accounting treatment of amortized cost of the liability component and put option relating to the convertible notes (d)	**(35,957,003)**	—
Difference in capitalization of borrowing costs (e)	**88,411,906**	—
Difference in the recognition of financial liabilities (f)	**2,179,464**	(14,875,452)
Applicable deferred tax impact of the above GAAP differences (h)	**(10,457,892)**	—
Others	**(2,305,261)**	—
Net income under IFRS	**3,921,003,301**	3,450,658,056

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NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS *(Cont'd)*

	Net Assets	
	31st December, 2002	31st December, 2001
Net assets under PRC GAAP	**29,169,476,868**	27,125,564,005
Impact of IFRS adjustments:		
Effect of recording deferred revenue based on rate making process (a)	**(939,563,594)**	(726,808,208)
Difference in the basis of determining the amount of materials and supplies (b)	**(17,382,687)**	(20,461,684)
Difference in the recognition policy on housing benefits to the employees of the Company (c)	**89,985,012**	83,527,126
Difference in accounting treatment of convertible notes (d)	**510,506,379**	510,506,379
Adjustment relating to convertible notes arising from initial adoption of IAS 39 (d)	**(463,920,605)**	(463,920,605)
Difference in accounting treatment of amortized cost of the liability component and put option relating to the convertible notes (d)	**(36,086,925)**	—
Difference in capitalization of borrowing costs (e)	**88,411,906**	—
Difference in the recognition of financial liabilities (f)	**(12,695,988)**	(14,875,452)
Dividend in respect of the year but declared after the end of the year (g)	**2,040,093,146**	1,800,000,000
Applicable deferred tax impact of the above GAAP differences (h)	**(10,457,892)**	—
Others	**(2,305,261)**	—
Net assets under IFRS	**30,416,060,359**	28,293,531,561

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NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS *(Cont'd)*

(a) Recording deferred revenue based on rate making process

Under the rate making process applicable to the Company and its subsidiaries (except for power plants acquired in 2001 and 2002), major repair and maintenance expenses determined on the basis of 1% of the fixed asset cost is recovered through the current power rates. The Company estimates that, over the useful life of its power plants, this basis would approximate the total expenses for major repair and maintenance expenses actually incurred. In a particular year, to the extent that the actual repair and maintenance expenses incurred is less than the amount determined on the above basis, the difference represents revenue collected in excess of actual expenses incurred. Such difference is recorded as deferred revenue under IFRS. For PRC statutory financial reporting purposes, in accordance with the requirement of PRC GAAP, no such amount is recorded and revenue is determined and recognized based on the actual amount of electricity transmitted to the grid and the prevailing approved power rates.

(b) Difference in the basis of determining the amount of material and supplies

Under PRC GAAP, materials and supplies have been restated to the appraised value determined by independent valuer during the reorganization of the five original operating plants in 1994 and the appraised value has been used as the basis in determining the amount charged to operating expenses upon actual utilization. Under IFRS, materials and supplies are charged to operating expenses at cost based on actual utilization.

(c) Difference in the recognition policy on housing benefits to the employees

The Company and HIPDC provided housing benefits to certain qualified employees of the Company whereby the living quarters owned by the Company and HIPDC were sold to these employees at preferential prices. The housing benefits represent the difference between the cost of the staff quarters sold to and the net proceeds collected from the employees, which are borne by the Company and HIPDC.

For PRC statutory reporting purposes, in accordance with the relevant regulations issued by the Ministry of Finance, the total housing benefits provided by the Company are charged to non-operating expenses. Under IFRS, the housing benefits provided by the Company are recognized on a straight-line basis over the estimated remaining average service lives of the employees.

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS *(Cont'd)*

(d) Accounting treatment of convertible notes

Under PRC GAAP, the Company had accrued for the put premium liability together with the interest payable on the notes using the effective interest rate of 6.66% as at 21st May, 2002. As at 21st May, 2002, all accrued put premium of unredeemed notes was charged to the income statement as reversal of interest expense.

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 PRC 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 recognised 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 amortised cost of the liability component were charged or credited to the income statements.

(e) Capitalization of borrowing costs

Under PRC GAAP, the capitalization of interests is limited to specific borrowings. No interest can be capitalized on general borrowings.

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.

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NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS *(Cont'd)*

(f) Accounting treatment of financial liability

The Company enters into interest rate swap agreements with local banks to convert certain floating rate debts of the same principal amounts and for the same maturities to hedge against interest rate risk. As at 31st December, 2002, the notional amount of the outstanding interest rate swap agreement was approximately US$52 million. For the year ended 31st December, 2002, there was a gain amounted to approximately Rmb2.2 million arising from changes in the fair value of the interest rate swaps. Under PRC GAAP, such interest swap contracts are considered and disclosed as off balance sheet items. Under IFRS, derivative instruments are recorded as either assets or liabilities in the balance sheet at fair value, which is determined based on market conditions at each balance sheet date. Changes in the fair value of derivatives are recorded each period in current earnings or recognized directly in equity through the statement of changes in shareholder's equity, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. Since the hedging relationship does not meet all of the conditions required for special hedge accounting as set out in IFRS 39, such gain was credited to the income statement in current period.

(g) Dividend appropriation

Under PRC GAAP, dividends proposed or declared after the balance sheet date but before the date when the financial statements are authorized for issue are deducted from the undistributed profit and recognize as a liability as at the balance sheet date. Under IFRS, the dividends are recorded in the year in which the dividends are declared.

(h) Deferred tax impact

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