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 summarized below:

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

Huaneng Group is the controlling parent company of HIPDC, which in turn is the controlling parent of the Company.

Under IFRS, the Company and its subsidiaries adopted the acquisition method to account for the acquisition of:

(i) 70% equity interest in Shidongkou I Power Plant, 70% equity interest in Taicang Power Company and all of the assets and liabilities of Changxing Power Plant in July, 2002 from the Huaneng Group;

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

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

Under the acquisition method, the results of the acquired businesses are included in the results of operations of the Company and its subsidiaries from the date of the acquisition. The difference between the purchase consideration and the fair value of the underlying net assets acquired is treated as goodwill. Goodwill arising from the acquisitions in (i) and (ii) above is amortized on a systematic basis to the income statement over its useful economic life, being the remaining weighted average useful life of the acquired depreciable or amortizable assets. Goodwill arising from the acquisition in (iii) above is tested annually for impairment and carried at cost less accumulated impairment losses.

As the companies and power plants acquired were under the control of the Huaneng Group prior to their acquisitions by the Company and its subsidiaries, these acquisition transactions were considered common control transactions. Under US GAAP, they are considered to be transfers of businesses under common control and the acquired assets and liabilities are accounted for at historical cost in a manner similar to the pooling of interests method. Accordingly, the consolidated financial statements for all periods presented have been retroactively restated as if the current structure and operations resulting from the acquisition had been in existence since the beginning of the earliest period presented, with financial data of previously separate entities combined. The cash consideration paid by the Company is treated as an equity transaction in the year of the acquisition for US GAAP purposes. Accordingly, the resulting impact of depreciation and amortization expenses on income is also different.

(b) Effect of Acquisition of 44.16% Equity Interests in the Huaiyin Power Company, 30% Additional Equity Interests in the Shidongkou I Power Plant, 5% Additional Equity Interests in the Taicang Power Company and 40% Equity Interests in the Hanfeng Power Company

Between 2002 and 2004, the Company acquired from the Huaneng Group:

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

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

(iii) 40% equity interests of the Hanfeng Power Company in July, 2004.

Under IFRS, upon the completion of the above acquisitions, the relevant equity interests of the net assets of the Huaiyin Power Company, the Shidongkou I Power Plant, the Taicang Power Company and the Hanfeng 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 net assets of power plant acquired is recorded as goodwill. Goodwill arising from the acquisitions in (i) and (ii) above is amortized on a systematic basis to the income statement over its useful economic life, being the remaining weighted average useful life of the acquired depreciable or amortizable assets, while goodwill arising from the acquisition in (iii) above is tested annually for impairment and carried at cost less accumulated impairment losses.

Under US GAAP, upon completion of the above acquisitions, the Huaneng Group's proportionate share in the net assets of the Huaiyin Power Company, Shidongkou I Power Plant, the Taicang Power Company and the Hanfeng 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 deemed distribution. Accordingly, the resulting impact of depreciation and amortization expenses on income is also different.

(c) Housing Benefits Provided by HIPDC

HIPDC sold to certain qualified employees of the Company living quarters owned by HIPDC at preferential prices. The difference between the cost of living quarters and the sales proceeds received from the employees is considered to be housing benefits. 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) Acquisition of Shandong Huaneng Power Development Company Limited ("Shandong Huaneng")

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. Under IFRS, upon the completion of the acquisition of Shandong Huaneng, the entire net assets of Shandong Huaneng were recorded at fair value. The excess of the fair value of the entire net assets acquired over the total cost of the acquisition was 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 that was sold to the Company was recorded at the historical carrying value. The excess of the proportionate share in the book value of the net assets acquired over the relevant portion of the cash consideration was recorded as a capital contribution to the Company. The book value of the remaining 66.91% of the net assets continues to be part of the recoverable rate base under the cost recovery formula of the tariff setting mechanism. Under US GAAP, the difference between these net asset values and the cash consideration was recorded as a reduction to the property, plant and equipment value of the respective power plants.

As the amount of negative goodwill under IFRS is different from the amount of the reduction to property, plant and equipment under US GAAP due to the 33.09% portion of the net assets previously owned by the Huaneng Group as described above and also that the negative goodwill under IFRS is recognized as income over the remaining weighted average useful life of the acquired depreciable or amortizable assets whereas, for US GAAP purpose, the property, plant and equipment, after the reduction described above, are depreciated over the respective assets' useful life, the net profit under IFRS and US GAAP is different.

(e) Capitalization of Borrowing Costs

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

Under US regulatory accounting requirements, interest on funds borrowed generally and used for the purpose of obtaining qualifying assets are not capitalized if such interests cannot be taken into consideration when determining the recoverable rate base for tariff setting purposes. Consequently, under US GAAP, the Company did not capitalize interest on general borrowings. An adjustment is made to reverse the capitalized interest on general borrowings net of the related depreciation on fixed assets.

(f) Reversal of Goodwill Amortization

In 2004, in accordance with IFRS 3, goodwill arising from acquisitions for which the agreement date was before 31st March, 2004 is amortized using the straight-line method over its estimated useful life and recognized in the income statement as other operating expenses and subject to an impairment review whenever events or changes in circumstances indicate their carrying value may not be recoverable, and annually if the estimated useful life exceeds 20 years. Under US GAAP, in accordance with Statement of Financial Accounting Standard Number 142 "Goodwill and Other Intangible Assets", goodwill arising from acquisition is not amortized but tested for impairment on an annual basis and between annual tests in certain circumstances.

(g) Deferred Tax Impact

This represents 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 a regulatory liability.

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

As at 31st December, 2004, the Company and its subsidiaries believe that 10 of their power plants (2003 and 2002: 12 power plants) meet these specific criteria of SFAS 71. Firstly, the power rates are established by an independent regulator, the provincial or local price bureau. Secondly, the pricing policy applicable to the power plants provides for rate-setting based on the specific costs of the power plants. This process has operated historically and will continue under the pricing policy. Finally, based on the significant demand for electricity in the Company and its subsidiaries' service territory, it is reasonable to assume that the authorized power rates will be collected from customers.

In November, 2004, in accordance with the issuance of a government circular on implementation of a full-scope tariff bidding practice that is applicable to two of the Company's power plants located in Northeast China, the Company has discontinued the application of SFAS 71 for these two power plants as the criteria under SFAS 71 are no longer met. Accordingly, these two power plants applied Statement of Financial Accounting Standard Number 101 "Regulated Enterprises – Accounting for the Discontinuation of Application of FASB Statement No. 71" ("SFAS 101"). There was no elimination of assets or liabilities as a result of the application of SFAS 101 as the Company and its subsidiaries did not have any assets and/or liabilities pursuant to SFAS 71 that were not been recognized as assets and/or liabilities under IFRS. The Company and its subsidiaries have also performed an impairment review on the property, plant and equipment of the two relevant power plants and have determined that no impairment provision is required.

With respect to the remaining power plants of the Company and its subsidiaries, which were acquired in 2002, 2003 and 2004, the SFAS 71 criteria mentioned above are not met and, therefore, SFAS 71 cannot be applied. Consequently, these remaining power plants have adopted US GAAP without specific reference to the regulatory basis of accounting provided for under SFAS 71.

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

(i) Impairment of Long-lived Assets

Impairment of long-lived assets (excluding goodwill)

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

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

Goodwill

Under IFRS, goodwill arising from a business combination for which the agreement date was before 31st March, 2004 is amortized on a straight line basis over its estimated useful life and subject to an impairment review whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and annually if the estimated useful life exceeds 20 years. Such goodwill will cease to be amortized from 1st January, 2005 and will instead be subject to an impairment review annually and whenever an indication of impairment exists. Goodwill arising from a business combination for which the agreement date is on or after 31st March, 2004 is not amortized and is subject to an impairment review annually and whenever an indication of impairment exists. If some of the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that CGU is required to be tested for impairment before the end of the current period.

Under IFRS, a one-step impairment test is performed. The recoverable amount of the CGU is compared to its carrying amount. The impairment loss is recognized as the excess of the carrying amount over the recoverable amount.

Under US GAAP, goodwill is reviewed for impairment, at the reporting unit level, at least annually or whenever events or changes in circumstances indicate that the recoverability of the carrying amount must be assessed.

Under US GAAP, a two-step impairment test is required:

(i) The fair value and the carrying amount of the reporting unit including goodwill should be compared. If the fair value of the reporting unit is less than the book value, goodwill would be considered to be impaired, then

(ii) The goodwill impairment should be measured as the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill should be determined by allocating fair value to the various assets and liabilities included in the reporting unit in the same manner as goodwill is determined in a business combination.

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

	Note	Net Assets As at 31st December, 2004 RMB'000	As at 31st December, 2003 RMB'000
Net assets under IFRS		**36,265,519**	33,955,355
Impact of US GAAP adjustments Note i:			
Effect of acquisition of the Yingkou Power Plant, the Jinggangshan Power Plant, the Luohuang Power Company and the Yueyang Power Company	(a)	**(2,007,383)**	1,652,511
Effect of acquisition of the Qinbei Power Company, the Yushe Power Company and the Xindian Power Plant	(a)	**(369,252)**	(417,368)
Effect of acquisition of the Shidongkou I Power Plant, the Taicang Power Company and the Changxing Power Plant	(a)	**(775,592)**	(886,116)
Effect of acquisition of 40% equity interests in the Hanfeng Power Company, 30% additional equity interests in the Shidongkou I Power Plant, 5% additional equity interests in the Taicang Power Company and 44.16% equity interests in the Huaiyin Power Company	(b)	**(271,167)**	(296,717)
Recording of capital contribution arising from acquisition of Shandong Huaneng	(d)	**862,922**	862,922
Difference in accounting treatment for acquisition of Shandong Huaneng	(d)	**(348,364)**	(261,273)
Difference in capitalization of borrowing costs	(e)	**(87,424)**	(93,890)
Reversal of goodwill amortization			
- Reversal of goodwill amortization of equity investment in SEG	(f)	**136,599**	54,639
- Reversal of goodwill amortization of investment in the Huaiyin Power Company	(f)	**34,740**	17,370
Applicable deferred tax impact on the above GAAP differences	(g)	**587,511**	233,746
Others		**—**	(8,652)
Net assets under US GAAP Note i		**34,028,109**	34,812,527

Differences between IFRS and US GAAP which affect the net assets and net profit of the Company and its subsidiaries are summarized below: (cont'd)

		Net profit For the year ended 31st December,		
	Note	**2004**	2003	2002
		RMB'000	RMB'000	RMB'000
Net profit under IFRS		**5,323,876**	5,430,408	3,921,004
Impact of US GAAP adjustments Note i:				
Effect of acquisition of the Luohuang Power Company, the Yueyang Power Company, the Yingkou Power Plant and the Jinggangshan Power Plant	(a)	**278,027**	335,105	(55,068)
Effect of acquisition of the Qinbei Power Company, the Yushe Power Company and the Xindian Power Plant	(a)	**48,116**	13,109	56,919
Effect of acquisition of the Shidongkou I Power Plant, the Taicang Power Company and the Changxing Power Plant	(a)	**110,524**	112,636	126,498
Effect of acquisition of 40% equity interest in the Hanfeng Power Company, 30% additional equity interests in the Shidongkou I Power Plant, 5% additional equity interests in the Taicang Power Company and 44.16% equity interests in the Huaiyin Power Company	(b)	**25,550**	19,347	10,556
Recording housing benefits provided by HIPDC	(c)	**(26,152)**	(26,152)	(26,152)
Difference in accounting treatment for acquisition of the Shandong Huaneng	(d)	**(87,091)**	(87,091)	(87,091)
Difference in capitalization of borrowing costs	(e)	**6,466**	(5,478)	(88,412)
Reversal of goodwill amortization				
- Reversal of goodwill amortization of equity investment in SEG	(f)	**81,960**	54,639	—
- Reversal of goodwill amortization of investment in the Huaiyin Power Company	(f)	**17,370**	17,370	—
Applicable deferred tax impact on the GAAP differences	(g)	**(46,978)**	(153,218)	37,345
Others		**8,652**	25,434	5,116
Net profit under US GAAP Note i		**5,740,320**	5,736,109	3,900,715

(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 Luohuang Power Company, the Yueyang Power Company, the Yingkou Power Plant and the Jinggangshan Power Plant, had been in existence since the beginning of the earliest period presented.

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

The following are condensed combined balance sheets of the Company and its subsidiaries as at 31st December, 2003 and 2004, and the related condensed combined statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended 31st December, 2004, restated to reflect the impact of 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, with financial data of previously separate entities combined, under US GAAP and other differences between IFRS and US GAAP.

Condensed Combined Balance Sheets

	As at 31st December,	
	2004	2003
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment, net	**53,909,081**	47,850,691
Investment in associates	**4,037,352**	2,820,669
Land use rights	**1,029,167**	880,526
Deferred income tax assets	**219,525**	223,146
Other non-current assets	**480,880**	525,830
Goodwill	**78,448**	78,726
Total non-current assets	**59,754,453**	52,379,588
Current assets		
Inventories, net	**1,431,404**	1,010,689
Other receivables and assets, net	**723,316**	309,380
Accounts receivable	**4,973,103**	4,239,462
Due from other related parties	**14,970**	5,862
Current portion of deferred income tax assets	**61,491**	77,357
Other financial assets	**—**	17,300
Restricted cash	**202,688**	183,525
Temporary cash investments	**12,641**	144,996
Cash and cash equivalents	**2,295,531**	4,299,933
Total current assets	**9,715,144**	10,288,504
Total assets	**69,469,597**	62,668,092

	As at 31st December,	
	2004	2003
	RMB'000	RMB'000
EQUITY AND LIABILITIES		
Shareholders' equity	**34,028,109**	34,812,527
Minority interests	**2,597,561**	1,694,609
Non-current liabilities		
Long-term loans from shareholders, unsecured	**800,000**	614,275
Long-term bank loans, unsecured	**14,854,471**	11,671,667
Other long-term loans, unsecured	**300,818**	848,284
Other non-current liability	**13,000**	—
Deferred income tax liabilities	**142,685**	148,560
Total non-current liabilities	**16,110,974**	13,282,786
Current liabilities		
Accounts payable and accrued liabilities	**4,551,158**	3,615,846
Dividends payable to shareholders of the Company	**8,250**	—
Taxes payable	**999,792**	1,191,287
Due to HIPDC	**1,258,799**	1,259,649
Due to other related parties	**13,426**	33,338
Staff welfare and bonus payable	**259,291**	354,756
Short-term loans, unsecured	**8,099,000**	2,422,583
Current portion of long-term loans from shareholders, unsecured	**—**	938,058
Current portion of long-term bank loans, unsecured	**1,257,476**	2,836,833
Current portion of other long-term loans, unsecured	**285,761**	211,881
Convertible notes	**—**	952
Accrued put premium for convertible notes	**—**	8,636
Other financial liabilities	**—**	4,351
Total current liabilities	**16,732,953**	12,878,170
Total liabilities and equity	**69,469,597**	62,668,092

Condensed Combined Statements of Income

	Year ended 31st December,		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Operating revenue, net	**32,546,043**	28,569,478	24,448,015
Operating expenses:			
Fuel	**(16,094,816)**	(11,103,839)	(9,343,363)
Maintenance	**(939,939)**	(1,151,538)	(896,892)
Depreciation	**(4,839,151)**	(5,111,140)	(4,648,760)
Labor	**(2,039,386)**	(1,767,832)	(1,485,541)
Service fees to HIPDC	**(133,609)**	(230,792)	(263,716)
Income tax	**(1,156,875)**	(1,349,254)	(1,041,915)
Others	**(756,731)**	(959,089)	(1,266,071)
Total operating expenses	**(25,960,507)**	(21,673,484)	(18,946,258)
Income before financial expenses	**6,585,536**	6,895,994	5,501,757
Interest income	**45,992**	57,168	95,807
Interest expense	**(826,583)**	(1,031,043)	(1,247,547)
Exchange losses, net	**(107,439)**	(198,003)	(261,396)
Total financial expenses	**(888,030)**	(1,171,878)	(1,413,136)
Share of profit/(loss) of associates	**465,404**	266,730	(1,634)
Minority interests	**(422,590)**	(254,737)	(186,272)
Net profit attributable to the shareholders	**5,740,320**	5,736,109	3,900,715

	Year ended 31st December,		
	2004	2003	2002
Basic earnings per ordinary share under US GAAP (RMB) Note i, ii	**0.48**	0.48	0.33
Basic earnings per ADS under US GAAP (RMB) Note i, ii	**19.05**	19.06	13.00
Diluted earnings per ordinary share under US GAAP (RMB) Note i, ii	**0.48**	0.48	0.32
Diluted earnings per ADS under US GAAP (RMB) Note i, ii	**19.02**	19.03	12.83

(Note i) Earning per ordinary shares and per equivalent ADS were calculated by dividing the net profit 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 profit 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.

(Note ii) As the number of ordinary Shares and equivalent ADS outstanding increased as a result of a stock split in 2004, the computation of basic and diluted earnings per share and equivalent ADS have been adjusted retroactively for the proportional change in the number of ordinary shares and equivalent ADS outstanding for all the periods presented to reflect the stock split.

Condensed Combined Statements of Changes in Shareholders' Equity

	RMB'000
Balance as at 1st January, 2002	30,856,584
Dividends relating to 2001	(1,800,000)
Net profit attributable to shareholders for the year ended 31st December, 2002	3,900,715
Conversion of convertible notes to new ordinary shares	1,655
Net deemed capital distribution to the Huaneng Group arising from the acquisition of the equity interests of the Shidongkou I Power Plant, the Taicang Power Company, the Huaiyin Power Company and the Changxing Power Plant and additional interests in the Shidongkou I Power Plant and the Taicang Power Company	(2,034,222)
Contribution from Huaneng Group	85,735
Distribution to HIPDC	(146,523)
Capital contribution from HIPDC arising from housing benefits provided by HIPDC	26,152
Balance as at 31st December, 2002	30,890,096
Dividends relating to 2002	(2,049,408)
Net profit attributable to shareholders for the year ended 31st December, 2003	5,736,109
Conversion of convertible notes to new ordinary shares	165,548
Net deemed capital distribution to Huaneng Group arising from the acquisition of the equity interests of the Qinbei Power Company, the Yushe Power Company and the Xindian Power Plant	(506,664)
Contribution from Huaneng Group	95,767
Contribution from HIPDC	454,927
Capital contribution from HIPDC arising from housing benefits provided by HIPDC	26,152
Balance as at 31st December, 2003	34,812,527
Dividends relating to 2003	(3,013,836)
Net profit attributable to shareholders for the year ended 31st December, 2004	5,740,320
Conversion of convertible notes to new ordinary shares	124
Net deemed capital distribution to the Huaneng Group arising from the acquisition of the Jinggangshan Power Plant and the Hanfeng Power Company	(984,915)
Net deemed capital distribution to HIPDC arising from the acquisition of the Luohuang Power Company, the Yueyang Power Company and the Yingkou Power Plant	(2,526,111)
Balance as at 31st December, 2004	34,028,109

Condensed combined statements of cash flows

	Year ended 31st December,		
	2004	2003	2002
	RMB'000	RMB'000	RMB'000
Net cash provided by operating activities	9,465,952	11,028,736	8,863,012
Cash (used in)/provided by investing activities	(11,825,975)	(6,297,349)	1,689,723
Net cash provided by/(used in) in financing activities	355,621	(4,008,934)	(10,078,444)
Net (decrease)/increase in cash and cash equivalents	(2,004,402)	722,453	474,291
Cash and cash equivalents, beginning of year	4,299,933	3,577,480	3,103,189
Cash and cash equivalents, end of year	2,295,531	4,299,933	3,577,480

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 years in the three-year period ended 31st December, 2004, apart from the net income, there was no other comprehensive income which should be included in the statement of comprehensive income.

New Accounting Pronouncements

IFRS

In 2004, the International Accounting Standard Board ("IASB") issued a number of new and revised International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The list of the new or revised IASs and IFRSs is as follows:

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant, and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interest in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources

The Company and its subsidiaries have not completed the assessment of the effects of adopting these new or revised IASs and IFRSs.

US GAAP

In 2004, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standards No. 151, Inventory Costs – an amendment of ARB No. 43, Chapter 4 ("SFAS 151"), Statement of Financial Accounting Standards No. 152 Accounting for Real Estate Time-Sharing Transactions ("SFAS 152"), Statement of Financial Accounting Standards No. 153, Exchange of Nonmonetary Assets ("SFAS 153") and revised Statement of Financial Accounting Standards No. 123, Share-Based Payment ("Revised SFAS 123").

SFAS 151 amends and clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). It requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for inventory costs incurred during the fiscal years beginning after 15th June, 2005. The Company considered the effects of adopting SFAS 151 and does not expect any material impact on the financial statements.

SFAS 152 amends FASB Statement No. 66, Accounting for Sales of Real Estate to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position ("SOP") 04-2, Accounting for Real Estate Time-Sharing Transactions and FASB Statement No. 67 Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and cost is subject to the guidance in SOP 04-2. SFAS 152 is effective for financial statements for fiscal years beginning after 15th June, 2005. The Company considered the effects of adopting SFAS 152 and does not expect any material impact on the financial statements.

SFAS 153 amends APB Opinion No. 29 on Accounting for Nonmonetary Transactions, to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception of exchanges of nonmonetary assets that do not have commercial substance. It defines 'a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after 15th June, 2005. The Company considered the effects of adopting SFAS 153 and does not expect any material impact on the financial statements.

Revised SFAS 123 is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation ("Original SFAS 123") and superseded APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS 123 establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. Revised SFAS 123 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. Revised SFAS 123 is effective a) as at the beginning of the first interim or annual reporting period that begins after 15th June, 2005 for public entities that do not file as small business issuers; b) as at the beginning of the first interim or annual reporting period that begins after 15th December, 2005 for public entities that file as small business issuers; and c) as of the beginning of the first annual reporting period that begins after 15th December, 2005 for non-public entities. The Company considered the effects of adopting Revised SFAS 123 and does not expect any material impact on the financial statements.