

Supplemental Information

For the year ended 31st December, 2004
(Amounts: In RMB Yuan)

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 the Accounting Standards for Business Enterprises and Accounting Systems for Business Enterprises ("PRC GAAP"), differ in certain respects from IFRS. Major differences between PRC GAAP and IFRS, which affect the net income and net assets of the Company and its subsidiaries, are summarized as follow:

	Net Income	
	For the year ended 31st December, 2004	2003
Net profit under PRC GAAP	5,389,057,047	5,457,142,551
Impact of IFRS adjustments:		
Effect of recording the amount received in advance based on rate making process (a)	(142,097,658)	(47,936,528)
Difference in the recognition policy on housing benefits to the employees of the Company (b)	(29,530,370)	(26,258,956)
Difference in capitalization of borrowing costs (c)	51,808,950	12,681,881
Reversal of goodwill amortization (d)	21,920,778	—
Applicable deferred tax impact of the above GAAP differences (e)	24,629,270	18,362,679
Others	8,087,709	16,415,980
Net profit under IFRS	5,323,875,726	5,430,407,607
	Net Assets	
	31st December 2004	31st December 2003
Net assets under PRC GAAP	37,183,402,535	34,787,100,203
Impact of IFRS adjustments:		
Effect of recording the amount received in advance based on rate making process (a)	(1,129,597,780)	(987,500,122)
Difference in the recognition policy on housing benefits to the employees of the Company (b)	34,195,686	63,726,056
Difference in capitalization of borrowing costs (c)	152,902,737	101,093,787
Reversal of goodwill amortization (d)	21,920,778	—
Applicable deferred tax impact of the above GAAP differences (e)	32,197,616	7,568,346
Others	(29,502,439)	(16,633,837)
Net assets under IFRS	36,265,519,133	33,955,354,433

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

(a) Recording of the amount received in advance

In accordance with the tariff setting mechanism applicable to some of the power plants, the Company and its subsidiaries receive an advance payment (calculated at 1% of the book value of fixed assets) as the major repair and maintenance cost requirements of the relevant power plants. This payment received in advance is recognized as a liability under IFRS and is recognized as revenue when the repair and maintenance is performed and the liability extinguished. For PRC statutory financial reporting purposes, this amount is not recorded as a liability and is recognized as revenue.

(b) Difference in the recognition policy on housing benefits to the employees of the company

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 as incurred. 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.

(c) 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. The GAAP difference of capitalized interests on general borrowings also causes the difference of depreciation expense of relevant fixed assets.

(d) Reversal of goodwill amortization

Under PRC GAAP, goodwill and long-term investment differences arising from business combinations are amortized over certain period on a straight-line basis.

In accordance with IFRS 3, goodwill arising from a business combination from which the agreement date is on or after 31st March, 2004 is not be amortized but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

(e) Deferred tax impact

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