

# Supplemental Information

## NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The consolidated 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	
	2005 (Rmb)	2004 (Rmb) (Note i)
<b>Net profit under PRC GAAP</b>	<b>4,762,625,031</b>	<b>5,389,057,047</b>
<b>Impact of IFRS adjustments:</b>		
Minority interests (Note i)	811,013,498	306,326,898
Effect of recording the amounts received in advance based on rate making process (a)	(66,754,230)	(142,097,658)
Difference in the recognition policy on housing benefits to the employees of the Company and its subsidiaries (b)	(37,919,274)	(34,497,807)
Difference in capitalization of borrowing costs (c)	141,072,575	52,937,838
Effect of recording negative goodwill and amortization (d)	(247,278,363)	—
Difference in accounting treatment for issuance cost of short-term bonds (e)	8,564,674	—
Difference in recognition of professional fees incurred on acquisitions (f)	16,698,000	16,471,468
Applicable deferred tax impact of the above GAAP differences (i)	63,697,954	35,999,710
Others	96,191,062	(43,269,252)
<b>Net profit under IFRS</b>	<b>5,547,910,927</b>	<b>5,580,928,244</b>

## Supplemental Information

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

	Net Assets	
	31st December 2005 (Rmb)	31st December 2004 (Rmb) (Note i)
<b>Net assets under PRC GAAP</b>	<b>39,081,551,960</b>	37,183,402,535
<b>Impact of IFRS adjustments:</b>		
Minority interests (Note i)	4,934,649,003	2,573,400,216
Effect of recording the amounts received in advance based on rate making process (a)	(1,196,352,010)	(1,129,597,780)
Difference in the recognition policy on housing benefits to the employees of the Company and its subsidiaries (b)	27,908,711	68,546,525
Difference in capitalization of borrowing costs (c)	280,164,117	156,286,117
Effect of recording negative goodwill and amortization (d)	1,236,391,819	—
Difference in accounting treatment for issuance cost of short-term bonds (e)	8,564,674	—
Difference in recognition of professional fees incurred on acquisitions (f)	59,510,756	42,812,756
Effect on minority interests of recording fair value adjustments upon acquisitions (g)	1,636,361,612	843,853,614
Record the book value of Yangtze Power according to the fair value (h)	749,369,049	—
Applicable deferred tax impact of the above GAAP differences (i)	(530,158,940)	(44,583,779)
Others	(143,773,947)	(162,208,460)
<b>Net assets under IFRS</b>	<b>46,144,186,804</b>	39,531,911,744

Note i: Consistent with disclosure requirement of revised IAS 1-Presentation of Financial Statements, minority interests in the consolidated net assets and net profit under IFRS should be included as a portion of total equity and total profit attributable to shareholders respectively. Accordingly, the comparative figures have been restated to meet the disclosure requirement for this or last year.

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

#### a) Recording of the amounts received in advance

In accordance with the tariff setting mechanism applicable to certain power plants, the Company and its subsidiaries receive 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 payments received in advance are recognized as liabilities under IFRS and are recognized as revenue when the repair and maintenance is performed and the liabilities extinguish. 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 and its subsidiaries

The Company and its subsidiaries provided housing benefits to certain qualified employees of the Company and its subsidiaries whereby the living quarters owned by the Company and its subsidiaries 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 its subsidiaries.

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 and its subsidiaries are charged to non-operating expenses as incurred. Under IFRS, the housing benefits provided by the Company and its subsidiaries 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 interest on general borrowings used for the purpose of obtaining a qualifying asset in addition to the capitalization of interest on specific borrowings.

#### (d) Effect of recording negative goodwill and amortization

Under PRC GAAP, the excess of the equity portion of the net assets acquired over the total cost of the acquisition arising from the business combinations in prior years was recorded as negative goodwill and amortized over 10 years on a straight-line basis.

In accordance with revised IFRS 3 - Business Combination, negative goodwill arising from the business combination in prior years is derecognized in the beginning of this year and the effect is reflected in the beginning retained earnings and any amortization under PRC GAAP is reversed.

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

#### (e) Difference in accounting treatment for issuance cost of short-term bonds

Under PRC GAAP, the issuance cost of short-term bonds is expensed when incurred. In accordance with IAS 39, an entity generally amortizes issuance cost included in the computation of the effective interest rate over the expected life of the short-term bonds.

#### (f) Difference in recognition of professional fees incurred on acquisition

Under PRC GAAP, the professional fees directly attributable to the acquisition of subsidiaries and associates should be expensed when occurs. In accordance with IFRS 3, such professional fees should be included in the costs of the combination and therefore capitalized.

#### (g) Effect on minority interests of recording fair value adjustments upon acquisitions

Under PRC GAAP, the acquired subsidiaries are recorded in the consolidated financial statements of the Company and its subsidiaries at historical cost.

In accordance with IFRS 3, the acquiree's identified assets, liabilities and contingent liabilities, except for non-current assets that are classified as held for sale in accordance with IFRS 5, are recorded at their fair value on the acquisition date. The differences between the fair value and historical cost of the acquiree's such identifiable assets, liabilities and contingent liabilities affect the acquiree's net assets on the acquisition date and therefore, affect the minority interests (shown as a portion of the net assets) in the consolidated financial statements of the Company and its subsidiaries.

#### (h) Recording investment in Yangtze Power at fair value

Under PRC GAAP, the Company's long-term investment in Yangtze Power is accounted for using cost method. The carrying amount of this long-term investment remains unchanged except for additions or withdrawal of investment.

After Yangtze Power's shareholding structure reform during the year, the legal person shares held by the Company were allowed to trade in the open market. In accordance with IAS 39, given that the shares held by the Company and its subsidiaries can now be freely traded, they have been revalued at year end based on the closing market rate. A gain or loss on the available-for-sale investment shall be recognized directly in equity, except for impairment losses and foreign exchange gains and losses, until the investment is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss.

#### (i) Deferred tax impact

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