

Supplemental Information

NET PROFIT AND NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“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 profit and net assets of the Company and its subsidiaries, are summarized as follows:

	Net Profit	
	For the year ended	
	31st December	
	2006	2005
	(RMB)	(RMB)
Net profit under PRC GAAP	5,550,381,540	4,762,625,031
Impact of IFRS adjustments:		
Profit attributable to minority interests (Note 1)	895,038,223	811,013,498
Effect of recording amounts received in advance (a)	(11,423,779)	(66,754,230)
Difference in the recognition of housing benefits to the employees of the Company and its subsidiaries (b)	(36,568,905)	(37,919,274)
Difference in capitalization of borrowing costs (c)	220,444,505	141,072,575
Effect of recording negative goodwill and amortization (d)	(222,520,500)	(247,278,363)
Difference in accounting treatment for issuance cost of short-term bonds (e)	947,655	8,564,674
Difference in recognition of professional fees incurred on acquisitions (f)	—	16,698,000
Stock warrants issued by China Yangtze Power Co., Ltd. (“Yangtze Power”) valued at fair value (g)	100,179,545	—
Applicable deferred income tax impact of the above GAAP differences (j)	230,556,233	63,697,954
Others	162,039,201	96,191,062
Profit under IFRS	6,889,073,718	5,547,910,927

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

	Net Assets	
	31st December	
	2006	2005
	(RMB)	(RMB)
Net assets under PRC GAAP	41,783,022,106	39,081,551,960
Impact of IFRS adjustments:		
Minority interests (Note 1)	6,062,766,865	4,934,649,003
Effect of recording the amounts received in advance (a)	(1,207,775,789)	(1,196,352,010)
Difference in the recognition policy on housing benefits to the employees of the Company and its subsidiaries (b)	(8,660,194)	27,908,711
Difference in capitalization of borrowing costs (c)	500,608,622	280,164,117
Effect of recording negative goodwill and amortization (d)	989,113,456	1,236,391,819
Difference in accounting treatment for issuance cost of short-term bonds (e)	9,512,329	8,564,674
Difference in recognition of professional fees incurred on acquisitions (f)	59,510,756	59,510,756
Effect on minority interests of recording fair value adjustments upon acquisitions (g)	1,636,361,612	1,636,361,612
Record the book value of Yangtze Power according to the fair value (h)	1,174,902,549	749,369,049
Stock warrants issued by Yangtze Power valued at fair value (i)	100,179,545	—
Applicable deferred tax impact of the above GAAP differences (j)	(363,432,732)	(530,158,940)
Others	(127,416,754)	(143,773,947)
Net assets under IFRS	50,608,692,371	46,144,186,804

Note 1: Consistent with disclosure requirement of revised International Accounting Standard (“IAS”) 1 – Presentation of Financial Statements, minority interests in the consolidated net profit and consolidated net assets under IFRS should be included as a portion of net profit and total equity attributable to shareholders respectively. However, there is no such requirement under PRC GAAP.

Supplemental Information

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(a) Recording amounts received in advance

In accordance with the tariff setting mechanism applicable to certain power plants, the Company receives advance payments (calculated at 1% of the original cost of fixed assets) as the major repairs and maintenance cost requirements of the relevant power plants. Such receipts in advance are recognized as liabilities under IFRS and are recognized as revenue when the repairs and maintenance is performed and the liabilities extinguished. For PRC statutory financial reporting purposes, these amounts are not recorded as liabilities and are recognized as revenue.

(b) Difference in the recognition of housing benefits to the employees of the Company and its subsidiaries

The Company and its subsidiaries and HIPDC provided housing benefits to certain qualified employees of the Company and its subsidiaries whereby the living quarters owned by the Company and its subsidiaries 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 its subsidiaries 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 and its subsidiaries are charged to non-operating expenses as incurred. Under IFRS, such 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 interest is limited to specific borrowings. No interest can be capitalized on general borrowings. In accordance with IAS 23, the Company and its subsidiaries capitalized interest on general borrowings used for the purpose of obtaining a qualifying asset in addition to the capitalization of interest on specific borrowings.

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

(d) Recording of negative goodwill/goodwill and related amortization

Under PRC GAAP, goodwill, negative goodwill and equity investment differences arising from acquisitions were amortized using straight-line method in specified period. After 17th March 2003, the excess of the equity portion of the net assets of entities acquired over the cost of the acquisition was recorded as a capital surplus and is not amortized.

In accordance with revised IFRS, from 1st January 2005 onwards, goodwill and negative goodwill arising from the acquisitions in prior years ceased to amortize and negative goodwill is derecognized and written off against opening retained earnings and goodwill is required to test for impairment annually. The excess of the equity portion of the net assets over the cost of the acquisition of an associate in the current year was written off in the profit and loss account.

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

Under PRC GAAP, the issuance cost of short-term bonds is expensed as incurred. In accordance with IAS 39, issuance cost is included in the computation of the effective interest rate and amortized over the terms 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 acquisitions of subsidiaries should be expensed as incurred. In accordance with IFRS 3, such professional fees should be included in the costs of the combination and therefore capitalized.

Supplemental Information

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

(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.

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) Record the stock warrants of Yangtze Power according to the fair value

Under IFRS, the stock warrants of Yangtze Power held by the Company are treated as derivatives and measured at fair value. Such amounts are not recorded under PRC GAAP.

(j) Deferred income tax impact

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