

Interim Results

The board of directors of Huaneng Power International, Inc. ("the Company") is pleased to announce the unaudited operating results for six months ended 30th June, 1999 ("Accounting Period") and a comparison with the operating results for the same period of 1998. For the six months ended 30th June, 1999, the Company recorded net profit of Rmb876 million (including the profit of Nanjing Power Plant for the first half of the year) and net operating revenues of Rmb4,833 million, representing an increase of 9.39% and 28.74% respectively as compared with the same period in 1998. Earnings per share was Rmb0.16.

The directors are satisfied with the above results. Please refer to the unaudited financial statements in the appendices for details of the operating results.

Business Review and Prospects

Despite increasing difficulties, the Company continued to strive for the best in various aspects in the first half of 1999 thereby achieving better results and making breakthroughs in certain areas.

During the first half of the year, the total power generation of the Company's power plants (including the newly acquired Nanjing Power Plant) was 16.874 billion KWh, representing 48% of the aggregate planned generation for the year and an increase of 4.451 billion KWh, an increase of 35.8%. Excluding that of Nanjing Power Plant, the power generation of the original power plants of the Company was 15.572 billion KWh, an increase of 25.3% over the same period of last year. Such growth is higher than the average national power generation growth and the average power generation growth of the power grids where the power plants of the Company are located. The main reasons for the growth of power generation of the Company during the first half of the year were: (1) the aggregate installed capacity increased substantially with the commencement of operation of new generating units and the acquisition of power plant; (2) there was a greater demand for electricity in most of the regions where the power plants are located. As a result, power generation of Fuzhou and Shangan, among other power plants, has been increased as compared to the same period of last year.

For the first half of the year, the average coal consumption rate for power sold of various power plants of the Company was 326.77 gram/KWh, a 1.86% reduction over the same period of last year. Fuel costs of the power plants continued to decline and the fuel cost per unit power sales decreased by 11.25% over the same period of last year.

In terms of project construction, two 350MW generating units of Nantong Power Plant Phase II were put into operation on 14th April and 12th July respectively after completing trial operation. Construction works of two generating units of Fuzhou Power Plant Phase II have been proceeded smoothly. It is anticipated that both will be put into operation in the second half of the year. By then, the target of an aggregate installation capacity of 8,100MW or above before 2000 will have been achieved ahead of schedule.

During the first half of the year, the Company, after adequate preparatory work, entered into a transfer agreement in relation to the transfer of assets in Nanjing Power Plants (the "Transfer Agreement") with Huaneng International Power Development Corporation ("HIPDC") and Nanjing Investment Company ("Nanjing Investment") on 22nd April and acquired all the power generating assets of Nanjing Power Plant with an aggregate consideration of Rmb2.702 billion. The successful completion of the acquisition of Nanjing Power Plant further enlarged the scale of the assets of the Company and contributed to the operating results of the Company and shareholders' interests for this year and thereafter.

While achieving the above results, the Company felt pressure from operations and market environment. Firstly, in view of the weak demand of power in certain regions, the capacity factors of the power plants of the Company in those regions declined, and the power output of the newly operated generating units was insufficient. Secondly, although approval for tariffs of the newly operated projects has been obtained or is being sought, it has been very difficult for the original operating plants to obtain tariff adjustments. Thirdly, the Company will no longer enjoy value-added tax rebate starting this year. As a result, the increase of profit has not been commensurate with the substantial increase of power generation of the Company.

The Company may still be faced with challenging tasks in the second half of the year. Amid changes in the power market, the Company believes that opportunities coexist with challenges. Building on the results of the first half of the year, the Company will work hard on the following areas to achieve the targets of production, operations, construction and financing:

1. to ensure steady and safe production and to achieve the generation target for this year;
2. to improve internal management and strengthen cost control so as to mitigate the negative impact on the profit growth;
3. to ensure the completion of the two generating units of Fuzhou Phase II so as to achieve the total power generation of 8,700MW for this year;
4. try to complete the issuance and placing of domestic shares;
5. to ensure the Year 2000 issue being resolved completely;
6. to complete the Tenth Five Year development plan, to continue to study the alternatives regarding asset operations so as to secure the long-term future development of the Company.

Share Capital Structure

As of 30th June, 1999, the entire issued share capital of the Company excluding the shares which might be converted from the convertible notes was 5,650,000,000 shares, of which 4,150,000,000 shares were domestic shares representing 73.45% of the entire issued share capital and 1,500,000,000 shares were foreign shares representing 26.55% of the entire issued share capital. In terms of domestic shares, HIPDC owns 2,382,440,000 shares representing 42.17% of the entire issued share capital of the Company. Other domestic shareholders hold a total of 1,767,560,000 shares representing 31.28% of the entire issued share capital.

The US\$230 million convertible notes issued by the Company are convertible into foreign shares of the Company at a price of US\$29.2 for each American Depositary Share on or before 21st May, 2004. Assuming the convertible notes were fully converted into foreign shares of the Company, the total issued share capital of the Company would increase by 315,068,493 shares.

The Company is not aware of any conversion of the convertible notes into shares of the Company as of 30th June, 1999.

Purchase, Sale or Redemption of Shares

The Company did not sell any type of securities and did not purchase or redeem its own shares in the first half of 1999.

Shareholding of Major Shareholders

As of 30th June, 1999, the shareholding position of the Company was as follows:-

	Total Shareholdings	Percentage of total Shares Outstanding
	('000)	(%)
Domestic Shares:		
HIPDC	2,382,440	42.17
Hebei Provincial Construction Investment Co.	452,250	8.00
Fujian International Trust & Investment Company Limited	334,850	5.93
Jiangsu Province International Trust & Investment Company Limited	312,375	5.53
Liaoning Energy Corporation	229,685	4.07
Dalian Municipal Construction Investment Company	226,125	4.00
Fujian Enterprises (Holdings) Co. Ltd.	72,400	1.28
Nantong Investment Management Centre	67,875	1.20
Shantou Electric Power Development Co.	46,500	0.82
Shantou Power Development Joint Stock Company Limited	19,000	0.34
Dandong Energy Investment Development Centre	6,500	0.11
Sub-total	4,150,000	73.45
Foreign Shares	1,500,000	26.55
TOTAL	5,650,000	100.00

Directors' and Supervisors' Right to Purchase Shares

As of 30th June, 1999, none of the directors, senior managerial staff, supervisors and their associates had any interests in the securities or debt securities of the Company which were required to be recorded on the register pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. The Company did not have any arrangement during such period whereby the above persons would acquire benefits by means of the acquisition of shares in, or debentures of, the Company or other corporate body.

Dividends

It was resolved at a board of directors' meeting on 10th August, 1999 not to distribute any interim dividend to the shareholders.

Year 2000 Issue

The Company's management has given due attention to the Year 2000 issue and the Company launched a comprehensive investigation of the computer systems of the headquarters and the power plants since 1997 and actively implemented effective improvement measures. The standard for the Year 2000 Computer Issue adopted by the Company complies with the format and definition of BSI «DISC PD2000-1: 1998».

The Company's financial system and office system have been upgraded with new versions of software and the problems with regard to Year 2000 compliance have essentially been resolved. As regards the control system and communication system of the power plants, the Company have completed the testing of the system before the end of April 1999. Renovation and upgrading have been carried out on the system and equipment with problems. Except for certain works which have yet to be completed for Shantou Power Plant, Nantong Power Plant Phase I and Shangan Power Plant Phase I, other power plants have completed implementation works by the end of June. The Company plans to complete the final tests by the end of August and the emergency plan will be formulated before the end of October.

To date, the expenses incurred by the Company in solving the Year 2000 issue are Rmb7,600,000 and the total sums are expected to be approximately Rmb15,000,000, less than previously expected. As of 30th June, 1999, the Company has no material capital commitments in relation to the Y2K projects.

Impact of Recent Economic Development

With China's steady economic growth in the first half of the year, the country's electricity demand has grown faster than expected, which is conducive to the Company. However, power demand in certain regions such as the northeast China declined, which has negatively affected the capacity factors of the Company's power plants in that region.

Except for the above, there are no other negative impacts on the Company from domestic or international economic conditions.

China's power industry is undergoing a reform which aims to establish a fair and mature power market that will promote the development of both the power industry and independent power producers. Experimental plans are being studied and formaluted in certain regions such as Liaoning province and Shanghai municipality where some of the Company's power plants are located. Such development has not had any impact on the Company's operations up to date.

Staff Housing

The existing residential units of the Company's employees are provided by HIPDC and accordingly the issue of housing reforms is irrelevant to the Company. As stipulated by the relevant government policies, the Company reserves a staff housing fund for its employees.

Major Events

1. The Company entered into the Transfer Agreement with HIPDC and Nanjing Investment in relation to Nanjing Power Plant on 22nd April, 1999 acquiring the assets of the power plant with an aggregate consideration of Rmb2,702 million. The Transfer Agreement was approved by independent shareholders at an extraordinary general meeting on 9th June, 1999. Pursuant to the Transfer Agreement, part of the consideration of the acquisition was paid by issuing new domestic shares. According to the stipulations of the Listing Rules, the acquisition constituted a discloseable share and connected transaction. Details of the acquisition of Nanjing Power Plant were set out in a circular sent to the shareholders on 23rd April, 1999.
2. The Company convened an annual general meeting on 9th June, 1999 and the main contents were as follows: reviewed the working report of the Company for 1998; amended the Articles of Association and amended the terms regarding the allocation of reserve fund, enterprise development fund and employee welfare fund (from the profit after taxation) with a result that statutory surplus reserve fund and statutory public welfare fund are to be allocated from the profit after taxation; continued to authorize the Company to issue and place not more than 350,000,000 domestic shares within one year.

Change of Director

On 10th August, 1999, Mr Zhou Youlin's resignation as director of the Company was accepted by the board of the Company.

Code of Best Practice

The Company has not established an audit committee (the "Audit Committee") to review and supervise the Company's financial reporting process and internal controls pursuant to paragraph 14 of Code of Best Practice set out in Appendix 14 to the Listing Rules (the "Code of Best Practice"). However, since the establishment of the Company, its organisational structure has, in lieu, a Supervisory Committee which carries out functions similar to that of an Audit Committee, the differences being that the Company's Supervisory Committee comprises three representatives (one of which shall be an employee of the Company) who are elected and removed in the general meeting of shareholders, and which reports to the general meeting of shareholders instead of the board of directors, whereas an Audit Committee is appointed amongst the non-executive directors of a company. Apart from this, none of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Accounting Period, in compliance with the Code of Best Practice.

Material Legal Proceedings

As of 30th June, 1999, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company.

Documents for Inspection

Except for this interim report, the Company will also file the interim report in Form 6-K with the US Securities and Exchange Commission. Copies of the 1999 interim report will be available at:

Beijing Huaneng Power International, Inc.
 40 Xueyuan Nanlu
 Haidian District
 Beijing 100088
 The People's Republic of China

Hong Kong Citigate Dewe Rogerson
 11/F, Chinachem Hollywood Centre
 One Hollywood Road
 Central
 Hong Kong

By Order of the Board

Li Xiaopeng

Chairman

Beijing, the PRC
10th August, 1999

The following are the unaudited financial statements of the Company for the six months ended 30th June, 1999, prepared in accordance with International Accounting Standards ("IAS"), together with the corresponding figures for 1998:

PROFIT AND LOSS ACCOUNT (Unaudited)

For the six months ended 30th June, 1999

(Amounts expressed in thousands, except per share data)

	Note	For the six months ended 30th June,		
		1999	1998	1998
		Rmb	USD	Rmb
Operating revenue, net	5	4,833,233	583,823	3,754,224
Operating expenses:				
Fuel		(1,515,288)	(183,037)	(1,244,723)
Maintenance		(248,403)	(30,005)	(200,076)
Depreciation and amortization		(1,121,001)	(135,409)	(748,529)
Labor		(199,319)	(24,076)	(172,794)
Transmission fees		(16,415)	(1,983)	(169,310)
Service fees to HIPDC		(155,607)	(18,796)	(179,297)
Refund of excess VAT paid	6	–	–	229,885
Others		(165,742)	(20,021)	(143,012)
Total operating expenses		(3,421,775)	(413,327)	(2,627,856)
Profit before financial expenses		1,411,458	170,496	1,126,368
Interest expenses, net		(347,333)	(41,956)	(194,947)
Exchange gains, net		48,892	5,906	13,769
Total financial expenses		(298,441)	(36,050)	(181,178)
Profit before taxation		1,113,017	134,446	945,190
Provision for income tax	11	(236,988)	(28,627)	(144,414)
Net profit		876,029	105,819	800,776
Earnings per share	12	0.16	0.02	0.15
Diluted earnings per share	12	N/A	N/A	0.14

BALANCE SHEET (Unaudited)

(Amounts expressed in thousands)

	Note	As of 30th June, 1999		As of 31st December, 1998
		Rmb	USD	Rmb
ASSETS				
Property, plant and equipment, net				
		34,408,553	4,156,325	32,315,351
Other long-term assets				
		116,389	14,059	116,529
Current assets				
Cash and cash equivalents		3,239,602	391,322	2,185,418
Temporary cash investments	10	1,143,681	138,149	1,837,033
Accounts receivable		1,253,607	151,427	617,876
Materials and supplies		566,660	68,449	517,339
Other receivables and assets		629,922	76,090	552,165
Due from HIPDC		10,183	1,230	–
Total current assets		6,843,655	826,667	5,709,831
Total assets		41,368,597	4,997,051	38,141,711
CAPITALIZATION AND LIABILITIES				
Capitalization				
Shareholders' equity				
4,150,000,000 Domestic Shares, par value Rmb 1.00 each		4,150,000	501,292	4,150,000
1,500,000,000 Overseas Listed Foreign Shares, par value Rmb 1.00 each		1,500,000	181,190	1,500,000
Additional paid-in capital		7,717,674	932,244	7,717,674
Dedicated capital		1,364,650	164,841	1,207,491
Equity component of convertible notes	9	510,506	61,666	510,506
Retained earnings		5,537,429	668,885	4,818,559
Total shareholders' equity	7	20,780,259	2,510,118	19,904,230
Liability component of				
convertible notes	9	1,393,672	168,346	1,393,672
Long-term loans from shareholders		1,945,999	235,064	2,277,378
Long-term loan from				
Nanjing Investment		285,330	34,466	–
Long-term bank loans		10,275,903	1,241,261	9,845,504
Total capitalization		34,681,163	4,189,255	33,420,784

BALANCE SHEET (Unaudited) (Cont'd)

(Amounts expressed in thousands)

	Note	As of 30th June, 1999		As of 31st December, 1998
		Rmb	USD	Rmb
Other non-current liabilities				
Accrued put premium for convertible notes		215,132	25,987	166,918
Current liabilities				
Short-term bank loans		137,000	16,549	205,000
Current portion of long-term loans from shareholders		716,962	86,604	594,481
Current portion of long-term loan from Nanjing Investment		63,407	7,659	–
Current portion of long-term bank loans		621,090	75,024	351,001
Accounts payable and accrued liabilities		2,334,261	281,960	1,942,740
Due to HIPDC		–	–	2,633
Payable to HIPDC	2	1,111,376	134,247	–
Payable to Nanjing Investment	2	241,641	29,189	–
Taxes payable		555,343	67,082	473,140
Staff welfare and bonus payable		465,997	56,289	533,014
Dividend payable	8	225,225	27,206	452,000
Total current liabilities		6,472,302	781,809	4,554,009
Total capitalization and liabilities		41,368,597	4,997,051	38,141,711

STATEMENT OF CASH FLOWS (Unaudited)

For the six months ended 30th June, 1999

(Amounts expressed in thousands)

Note	For the six months ended 30th June,		
	1999	1998	
	Rmb	USD	Rmb
Cash Flows From Operating Activities			
Profit before taxation	1,113,017	134,446	945,190
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Depreciation and amortization	1,121,001	135,409	748,529
Amortization of deferred assets	3,407	412	3,407
Loss on disposals of fixed assets	320	39	–
Interest income	(60,488)	(7,307)	(77,349)
Interest expenses	407,821	49,262	272,296
(Increase) decrease in assets:			
Accounts receivable	(576,493)	(69,637)	254,775
Materials and supplies	(4,519)	(546)	58,759
Other receivables and assets	(47,954)	(5,793)	937,956
Due from HIPDC	(12,816)	(1,548)	25,875
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities	143,522	17,337	371,381
Taxes payable	38,729	4,678	(30,872)
Staff welfare and bonus payable	(63,174)	(7,631)	26,252
Interest paid	(266,555)	(32,198)	(241,107)
Income tax paid	(176,996)	(21,380)	(207,815)
Interest received	48,450	5,852	45,811
Net cash provided by operating activities	1,667,272	201,395	3,133,088

STATEMENT OF CASH FLOWS (Unaudited) (Cont'd)

For the six months ended 30th June, 1999

(Amounts expressed in thousands)

Note	For the six months ended 30th June,		
	1999		1998
	Rmb	USD	Rmb
Cash Flows From Investing			
Activities			
Capital expenditures	(785,816)	(94,921)	(3,973,841)
Proceeds from disposals of fixed asset	605	73	–
(Increase) decrease in other long-term assets	(2,860)	(345)	1,937
Decrease in temporary cash investments	693,352	83,752	1,412,662
Net cash inflow from acquisition of Nanjing Power Plant	13 150,229	18,146	–
Net cash provided by (used in) investing activities	55,510	6,705	(2,559,242)
Cash Flows From Financing			
Activities			
Net proceeds from issuance of Overseas Listed Foreign Shares	–	–	1,122,279
Drawdown of short-term bank loans	92,000	11,113	64,000
Repayment of short-term bank loans	(232,000)	(28,024)	(224,096)
Drawdown of long-term loans from shareholders	–	–	30,000
Repayment of long-term loans from shareholders	(558,311)	(67,440)	(1,492,341)
Drawdown of long-term bank loans	386,488	46,685	1,879,594
Repayment of long-term bank loans	(130,000)	(15,703)	(247,455)
Repayment of payable to HIPDC	–	–	(1,394,858)
Dividend paid	(226,775)	(27,393)	–
Net cash used in financing activities	(668,598)	(80,762)	(262,877)
Net Increase in Cash and Cash Equivalents	1,054,184	127,338	310,969
Cash and cash equivalents, beginning of the period	2,185,418	263,984	1,479,984
Cash and Cash Equivalents, End of the Period	3,239,602	391,322	1,790,953

Notes:

1. Company Organization and Principal Activities

The Company was incorporated in the People's Republic of China (the "PRC") as a joint stock company on 30th June, 1994. Currently, the Company owns and operates nine power plants, which are located in various provinces of the PRC.

The Company's plants are principally engaged in the generation and sale of electric power to consumers through the respective regional or provincial power companies.

The Dalian Power Plant Phase II and the Dandong Power Plant, each of which has an installed capacity of 700MW, commenced commercial operation on 1st January, 1999. In addition, the Company acquired the Nanjing Power Plant from HIPDC and Nanjing Investment effective from 1st January, 1999.

2. Acquisition of the Nanjing Power Plant

Pursuant to the Transfer Agreement entered into amongst the Company, HIPDC and Nanjing Investment dated 22nd April, 1999, the Company agreed to acquire from HIPDC and Nanjing Investment, effective on 1st January, 1999, the existing power generation facilities and related assets and liabilities of the Nanjing Power Plant. The total purchase price was approximately Rmb2,702 million which was based on the appraised value of the assets acquired as determined by an independent professional appraiser. The net consideration was approximately Rmb1,353 million after deducting the current and long-term liabilities of the Nanjing Power Plant of approximately Rmb1,349 million assumed by the Company. The net consideration is to be settled by issuing Domestic Shares of 16,000,000 to HIPDC and 40,000,000 to Nanjing Investment at an issue price equivalent to the same issue price of the proposed public offering of new Domestic Shares of the Company (see Note 14). Any remaining balance is to be settled in cash within ten days upon completion of the public offering of the Domestic Shares of the Company. The Company has accounted for the operating results of the Nanjing Power Plant for the period from 1st January, 1999 to 30th June, 1999.

3. Principal Accounting Policies

The principal accounting policies adopted for the preparation of the financial statements as at and for the six months ended 30th June, 1999 are consistent with those adopted for the preparation of the 1998 financial statements.

4. Foreign Currency Translation

For the convenience of the reader, translation of amounts from Renminbi (Rmb) into United States dollars (USD) has been made at the rate of USD1.00=Rmb8.2786 announced by the People's Bank of China on 30th June, 1999. No representation is made that the Rmb amounts could have been, or could be, converted into USD at that rate on 30th June, 1999, or at any other rate.

5. Sales of Electric Power

Operating revenue represents amounts billed for electricity generated and transmitted to the ultimate consumers through the respective regional or provincial power companies (net of Value Added Tax ("VAT")), less sales incentive fees paid to the power companies. Revenues are billed and recognized upon transmission of electricity to the power grid controlled and owned by the respective power companies and include billings for generation through the end of each month.

6. Refund of Excess VAT Paid

Under a protection clause of the relevant tax regulations in the PRC, the Company, being treated as the continued operation of a foreign investment enterprise established prior to 31st December, 1993, was entitled to a refund of any VAT paid in excess of the amount which would have been paid under the previous Industrial and Commercial Consolidated Tax ("ICCT") legislation. The refund of VAT paid in excess of the previous ICCT was recorded as income. The protection was valid for five years from 1994 to 1998. Starting from 1st January, 1999, the Company is no longer entitled to such refund.

7. Shareholders' Equity

Movements of shareholders' equity were:

	For the six months ended 30th June							
	1999					1998		
	Ordinary Shares with par value of Rmb1 each '000	Additional Paid-in Capital '000	Dedicated Capital Statutory surplus reserve '000	Statutory public welfare fund '000	Retained Earnings Subtotal '000	Total '000	Total '000	Total '000
Beginning balance								
of the period	5,650,000	7,717,674	1,066,830	140,661	1,207,491	4,818,559	19,393,724	15,003,095
New public issuing								
Overseas foreign shares	-	-	-	-	-	-	-	1,122,279
Domestic Shares	-	-	-	-	-	-	-	1,881,839
Net profit for six months								
ended 30th June	-	-	-	-	-	876,029	876,029	800,776
Transfer to dedicated capital	-	-	89,805	67,354	157,159	(157,159)		
Ending balance								
of the period	5,650,000	7,717,674	1,156,635	208,015	1,364,650	5,537,429	20,269,753	18,807,989
Add: deemed equity								
component of convertible								
notes (see Note 9)							510,506	510,506
							20,780,259	19,318,495

For the six months ended 30th June, 1999, 10% and 7.5% of the after-tax profits, as reflected in the Company's statutory financial statements prepared under PRC GAAP, have been appropriated to the statutory surplus reserve and the statutory public welfare fund respectively. The appropriations for the statutory surplus reserve and the statutory public welfare fund are reflected in the balance sheet under shareholders' equity as dedicated capital.

8. Dividends Paid

On 9th June, 1999, the shareholders approved the declaration of dividend of Rmb0.08 per share, totaling Rmb452 million in respect of the year ended 31st December, 1998. During the six months ended 30th June, 1999, approximately Rmb227 million were paid.

9. Convertible Notes

In accordance with IAS, the proceeds received on the issue of the convertible notes are allocated into liability and equity components. The liability component represents the present value of the contractually determined stream of cash flows discounted at the market rate of interest for instruments of comparable credit status providing substantially the same cash flows, on the same terms, but without the conversion option. The equity component is then determined by deducting the liability component from the proceeds received on the issue of the notes.

10. Temporary Cash Investments

As of 30th June, 1999, fixed-term deposits of approximately Rmb750,000,000 was placed with a non-bank financial institution, which is a subsidiary of China Huaneng Group, a substantial shareholder of HIPDC. There had been no collectibility problem encountered in respect of the Company's time deposits. As of 30th June, 1999, there was no designated deposit.

11. Provisions for Income Tax

Certain power plants of the Company, being located in specially designated regions or cities, are subject to preferential income tax rates. In addition, all power plants (except for expansion project) are exempted from the PRC income tax for two years starting from the first profit-making year (after covering any accumulated deficits) followed by a 50% reduction of the applicable tax rate for the next three years ("tax holiday"). For the six months ended 30th June, 1999, the effective tax rate applicable to the Company is 19% (for the six months ended 30th June, 1998 the effective tax rate was 15%).

As of 30th June, 1999, the Company had not received any notification from the relevant tax authority in respect of any material change of the present tax rates applicable to the Company.

12. Earnings Per Share

The calculation of earnings per share is based on the net profit attributable to shareholders of Rmb876,029,326 and the weighted average number of 5,650,000,000 ordinary shares in issue during the period.

The 1.75% convertible notes had no dilution effect on the earnings per share for the six months ended 30th June, 1999.

13. Major Non-Cash Transaction

The Company acquired the Nanjing Power Plant from HIPDC and Nanjing Investment, effective on 1st January, 1999 (see Note 2). The fair value of the assets acquired and the liabilities assumed were as follows:

Cash	150,229
Accounts receivable	59,238
Materials and supplies	44,802
Other receivables and assets	18,171
Property, plant and equipment, net	2,429,312
Short-term bank loans	(122,000)
Accounts payable and accrued liabilities	(129,830)
Staff welfare and bonus payable	(4,757)
Long-term loans	(1,092,148)
Net consideration	<u>1,353,017</u>
Less: Cash of Nanjing Power Plant	<u>(150,229)</u>
Total non-cash amount in respect of the acquisition of Nanjing Power Plant	<u>1,202,788</u>

14. Subsequent Event

Pursuant to a resolution passed at the annual general meeting of the Company on 9th June, 1999, the Company was authorized, subject to the approvals of the relevant government authorities, to issue up to 350,000,000 Domestic Shares on the domestic stock exchange before 9th June, 2000.

15. Supplemental Information

Under both IAS and generally accepted accounting principles in the United States ("US GAAP"), the accounting policies adopted by the Company are basically the same except that under US GAAP the entire proceeds of the issue of convertible notes as described in Note 9 are recorded as long-term liabilities without distinguishing between the equity and liability components. Accordingly, there is no difference in the net profit of the Company between IAS and US GAAP, but the shareholders' equity of the Company determined under US GAAP is approximately Rmb511 million less than that determined under IAS.