C. Differences between financial statements prepared under IAS and PRC Accounting Rules and Regulations

Other than the differences in classification of certain financial statements assertions and the accounting treatment of the items described below, there are no material differences between the Group's financial statements prepared in accordance with IAS and PRC Accounting Rules and Regulations. The major differences are:

(i) Under IAS, to the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs should be capitalised as part of the cost of that asset. Under PRC Accounting Rules and Regulations, only borrowing costs on funds that are specially borrowed for construction are eligible for capitalisation as fixed assets. The deferred tax effect of the above is recognised in the IAS financial statements.

(ii) Under PRC Accounting Rules and Regulations, the excess of fair value over the carrying value of assets given up in part exchange for investments should be credited to capital reserve fund. Under IAS, it is inappropriate to recognise such excess as a gain as its realisation is uncertain.

(iii) Under IAS, the building use rights of staff dormitories are considered to be of no value and written off to the income statement once the employees have acquired the legal titles. Under PRC Accounting Rules and Regulations, the amount of such rights written off is to be carried forward in a Housing Revolving Fund pursuant to the notice "Cai Kuai Zi (1995) No. 14" issued by the Ministry of Finance on 3 March 1995. The deferred tax effects of the above were recognised in the IAS financial statements. In 2000, the Directors have evaluated the realisation of the deferred tax assets arising from loss on disposal of staff dormitories. The Directors considered it is uncertain that such loss will be deductible in the future and accordingly, the related deferred tax assets of RMB 47,422,000 have been written off. Pursuant to the notices "Cai Qi (2000) No. 295" and "Cai Kuai (2001) No. 5" issued by MOF on 6 September 2000 and 7 January 2001 respectively, the balance of Housing Revolving Fund as at 31 December 2000 was offset against the opening balance of retained earnings at 1 January 2001.

(iv) Under PRC Accounting Rules and Regulations, government grants should be credited to capital reserve. Under IAS, such grants for the purchase of equipment used for technology improvements are offset against the cost of asset to which the grants related. Upon transfer to property, plant and equipment, the grant is recognised as income over the useful life of the property, plant and equipment by way of a reduced depreciation charge.

(v) Under the PRC Accounting Rules and Regulations, dividends relating to an accounting period declared after the period end date are recognised as a liability in that accounting period. Under IAS, dividends are recognised as a liability at its declaration date.

Effects on the Group's profit attributable to shareholders and shareholders' equity of significant differences between IAS and PRC Accounting Rules and Regulations are summarised below:

	Note	Year ended 31 December 2001 RMB'000	2000 RMB'000
Profit attributable to shareholders under PRC Accounting Rules and Regulations		71,604	903,932
Adjustments:			
Capitalisation of borrowing costs	(i)	52,288	-
Deferred tax effect on capitalisation of borrowing costs	(i)	(7,843)	-
Deferred tax effect on building use rights of staff dormitories written off	(iii)	-	(47,422)
Profit attributable to shareholders under IAS*		116,049	856,510

	Note	As at 31 December 2001 RMB'000	2000 RMB'000
Shareholders' equity under PRC Accounting Rules and Regulations		13,572,495	13,817,038
Adjustments:			
Capitalisation of borrowing costs	(i)	52,288	-
Deferred tax effect	(i)	(7,843)	-
Valuation surplus	(ii)	(44,887)	(44,887)
Building use rights of staff dormitories written off	(iii)	-	(316,147)
Government grants	(iv)	(386,370)	(386,370)
Dividend declared post balance sheet date	(v)	-	432,000
Shareholders' equity under IAS*		13,185,683	13,501,634

* The above figures are extracted from the financial statements prepared in accordance with IAS which have been audited by KPMG.