

C. Differences between Financial Reports prepared under PRC Accounting Rules and Regulations and IFRS

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 reports prepared in accordance with PRC Accounting Rules and Regulations and IFRS. The major differences are:

- (i) Under IFRS, 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 specifically borrowed for construction are eligible for capitalisation as fixed assets.
- (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 IFRS, it is inappropriate to recognise such excess as a gain as its realisation is uncertain.
- (iii) Under PRC Accounting Rules and Regulations, government grants should be credited to capital reserve. Under IFRS, 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.
- (iv) Effective 1 January 2002, land use rights are carried at historical cost less amortisation under IFRS. Accordingly, the surplus on the revaluation of land use rights was reversed to shareholders' equity. Under PRC Accounting Rules and Regulations, land use rights are carried at revalued amount.

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C. Differences between Financial Reports prepared under PRC Accounting Rules and Regulations and IFRS *(continued)*

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

	Note	<u>Six-month periods ended 30 June</u>	
		2002 RMB'000	2001 RMB'000
Profit attributable to shareholders under PRC Accounting Rules and Regulations		203,369	140,595
Adjustments:			
Capitalisation of borrowing costs	(i)	4,415	22,605
Amortisation of revaluation of land use rights	(iv)	1,749	-
Effects of the above adjustments on taxation		(924)	(3,391)
Profit attributable to shareholders under IFRS		<u>208,609</u>	<u>159,809</u>
		At 30 June 2002 RMB'000	At 31 December 2001 RMB'000
Shareholders' equity under PRC Accounting Rules and Regulations		13,775,864	13,572,495
Adjustments:			
Capitalisation of borrowing costs	(i)	56,703	52,288
Valuation surplus	(ii)	(44,887)	(44,887)
Government grants	(iii)	(386,370)	(386,370)
Revaluation of land use rights	(iv)	(141,606)	(143,355)
Effects of the above adjustments on taxation		12,736	13,660
Shareholders' equity under IFRS		<u>13,272,440</u>	<u>13,063,831</u>