

D. Supplementary Information for North American Shareholders

The Group's accounting policies conform with IFRS which differ in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). Differences which have a significant effect on profit attributable to shareholders and shareholders' equity are set out below. The U.S. GAAP reconciliation presented below is included as supplemental information and is not required as part of the basic interim financial reports. Such information has not been subject to independent audit or review.

(a) Foreign exchange gains and losses

Under IFRS, foreign exchange differences on funds borrowed for construction are capitalised as property, plant and equipment to the extent that they are regarded as an adjustment to interest costs during the construction period. In the periods ended 30 June 2001 and 2002, no foreign exchange differences were capitalised to property, plant and equipment. Under U.S. GAAP, all foreign exchange gains and losses are included in current earnings. In the periods ended 30 June 2001 and 2002, the U.S. GAAP adjustments represent the effect of amortisation of amounts previously capitalised.

(b) Capitalisation of property, plant and equipment

In the periods prior to those presented herein, certain adjustments arose between IFRS and U.S. GAAP with regard to the capitalisation of interest and pre-production results under IFRS, that were reversed and expensed under U.S. GAAP. For the periods presented herein, no adjustments related to the capitalisation of pre-production results and interest are necessary. Accordingly, the U.S. GAAP adjustments represent the amortisation effect of such originating adjustments described above.

(c) Revaluation of property, plant and equipment

In the periods prior to those presented herein, the property, plant and equipment of the Company were revalued to reflect the then current fair value resulting in a revaluation surplus recorded in the Company's financial statements. Additional depreciation charges have been taken in the periods ended 30 June 2001 and 2002 on the revaluation surplus of RMB1,576,330,000.

Under U.S. GAAP, property, plant and equipment are stated at historical cost less accumulated depreciation. However, as a result of the tax deductibility of the revaluation, a deferred tax asset related to the reversal of the revaluation surplus is created under U.S. GAAP with a corresponding increase in shareholders' equity.

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(c) Revaluation of property, plant and equipment *(continued)*

Under IFRS, effective 1 January 2002, land use rights, which were previously carried at revalued amount, are carried at historical cost base. The effect of this change resulted in a decrease of equity of RMB121,852,000 as of 1 January 2002. This change under IFRS eliminated the U.S. GAAP difference relating to the valuation of land use rights.

(d) Capitalised interest on investment in associates

Under IFRS, an investment accounted for by the equity method is not considered a qualifying asset for which interest is capitalised. Under U.S. GAAP, an investment accounted for by the equity method while the investee has activities in progress necessary to commence its planned principal operations, provided that the investee's activities include the use of funds to acquire qualifying assets for its operations, is a qualifying asset for which interest is capitalised.

(e) Goodwill amortisation

Under IFRS, goodwill and negative goodwill are amortised on a systematic basis over its useful lives.

Under U.S. GAAP, with reference to Statement of Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets" ("SFAS No.142"), goodwill is no longer amortised beginning 1 January 2002, the date that SFAS No.142 was adopted. Instead, goodwill will be reviewed for impairment upon adoption of SFAS No.142 and annually thereafter. In connection with SFAS No. 142's transitional goodwill impairment evaluation, the Group performed an assessment of whether there is an indication that goodwill was impaired as of the date of adoption. To accomplish this, the Group identified its reporting units and determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill, to those reporting units as of the date of adoption. The Group's reporting units are generally consistent with the Group's operating segments identified in Note 2 of the interim financial report prepared under IFRS. Based on a comparison between the fair value and carrying amount of the reporting units that the goodwill was assigned to, no indication exists that the goodwill was impaired and accordingly no transitional impairment losses were recorded at the date of adoption. In addition, under U.S. GAAP, negative goodwill of RMB19,828,000 that existed at the date of adoption of SFAS No.142 was written off effective 1 January 2002 as a cumulative effect of a change in accounting principle.

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(e) Goodwill amortisation *(continued)*

In accordance with SFAS No.142's transitional disclosure requirements, a reconciliation of reported net income under U.S. GAAP to adjusted net income under U.S. GAAP is presented below.

	Six-month periods ended 30 June		
	2002 US\$'000	2002 RMB'000	2001 RMB'000
Reported net income under U.S. GAAP	39,659	328,260	241,516
Add: Goodwill amortisation	-	-	6,724
Less: Amortisation of negative goodwill	-	-	(1,652)
Adjusted net income under U.S. GAAP	<u>39,659</u>	<u>328,260</u>	<u>246,588</u>
Adjusted basic earnings per share under U.S. GAAP	<u>US\$0.006</u>	<u>RMB0.046</u>	<u>RMB0.034</u>
Adjusted basic earnings per ADS under U.S. GAAP	<u>US\$0.551</u>	<u>RMB4.559</u>	<u>RMB3.425</u>
Adjusted net income before cumulative effect of change in accounting principle under U.S. GAAP	<u>37,263</u>	<u>308,432</u>	<u>246,588</u>

(f) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders under U.S. GAAP of RMB328,260,000 (period ended 30 June 2001: RMB241,516,000) and the number of shares in issue during the period of 7,200,000,000 (period ended 30 June 2001: 7,200,000,000). Basic earnings per ADS is calculated on the basis that one ADS is equivalent to 100 shares.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for both periods.

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(g) United States dollar equivalents

For the convenience of the reader, amounts in Renminbi ("RMB") have been translated into United States dollars at the rate of US\$1.000 = RMB8.2771 being the average of the buying and selling rates quoted by the People's Bank of China on 28 June 2002. No representation is made that the RMB amounts could have been, or could be, converted into United States dollars at that rate.

The effect on profit attributable to shareholders of significant differences between IFRS and U.S.GAAP is as follows:

	Note	<u>Six-month periods ended 30 June</u>		
		2002 US\$'000	2002 RMB'000	2001 RMB'000
Profit attributable to shareholders under IFRS		25,203	208,609	159,809
U.S. GAAP adjustments:				
Foreign exchange gains and losses	(a)	2,238	18,527	18,527
Capitalisation of property, plant and equipment	(b)	1,311	10,852	10,852
Depreciation charge on revalued property, plant and equipment	(c)	7,853	64,997	66,746
Capitalised interest on investment in associates	(d)	2,065	17,096	-
Goodwill amortisation	(e)	613	5,072	-
Cumulative effect of adopting SFAS No. 142	(e)	2,396	19,828	-
Tax effect of the above adjustments		(2,020)	(16,721)	(14,418)
Profit attributable to shareholders under U.S. GAAP		39,659	328,260	241,516
Basic earnings per share under U.S. GAAP	(f)	<u>US\$0.006</u>	<u>RMB0.046</u>	<u>RMB0.034</u>
Basic earnings per ADS under U.S. GAAP	(f)	<u>US\$0.551</u>	<u>RMB4.559</u>	<u>RMB3.354</u>

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The effect on shareholders' equity of significant differences between IFRS and U.S. GAAP is as follows:

	Note	At 30 June		At 31 December
		2002 US\$'000	2002 RMB'000	2001 RMB'000
Shareholders' equity under IFRS, as previously reported				13,185,683
Adjustment to land use rights	(c)			(121,852)
Shareholders' equity under IFRS, as reclassified		1,603,513	13,272,440	13,063,831
U.S. GAAP adjustments:				
Foreign exchange gains and losses	(a)	(7,013)	(58,054)	(76,581)
Capitalisation of property, plant and equipment	(b)	(6,556)	(54,261)	(65,113)
Revaluation of property, plant and equipment	(c)	(46,938)	(388,509)	(453,506)
Capitalised interest on investment in associates	(d)	5,003	41,414	24,318
Goodwill	(e)	3,008	24,900	-
Tax effect of the above adjustments		8,326	68,912	85,633
Shareholders' equity under U.S. GAAP		<u>1,559,343</u>	<u>12,906,842</u>	<u>12,578,582</u>

The tax effect of the above adjustments as at 31 December 2001 and 30 June 2002 and for the periods ended 30 June 2001 and 2002 is based on the 15% tax rate applicable to the Company through 2001 and the first half of 2002.